

# Regulatory updates on the latest developments in Lithuanian gas market

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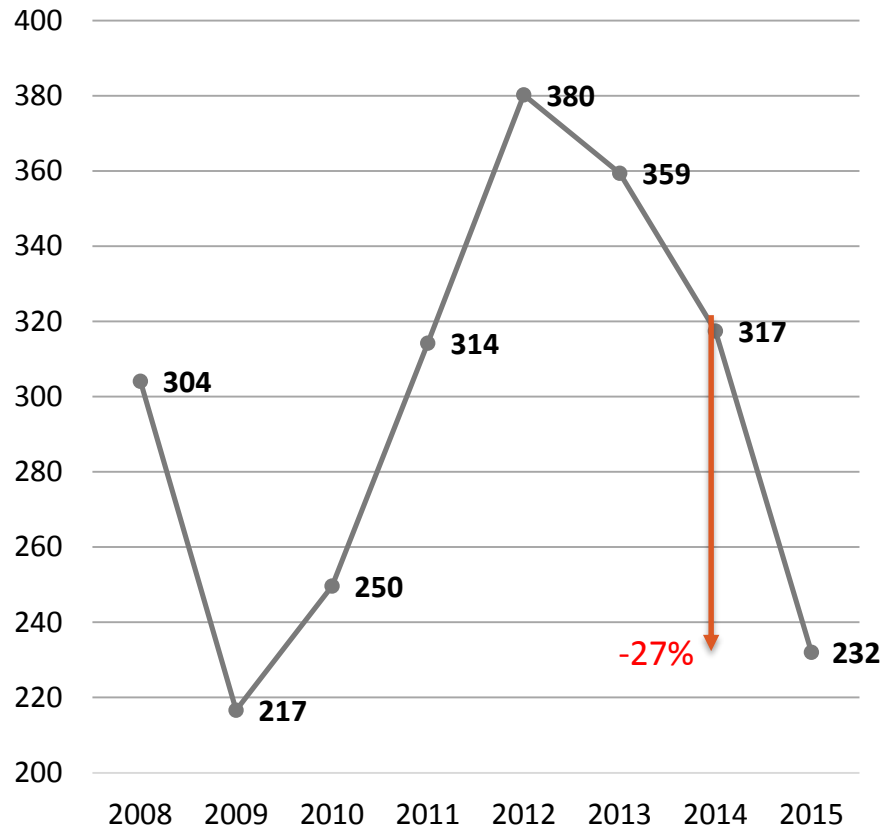
Baltic Gas Market Forum  
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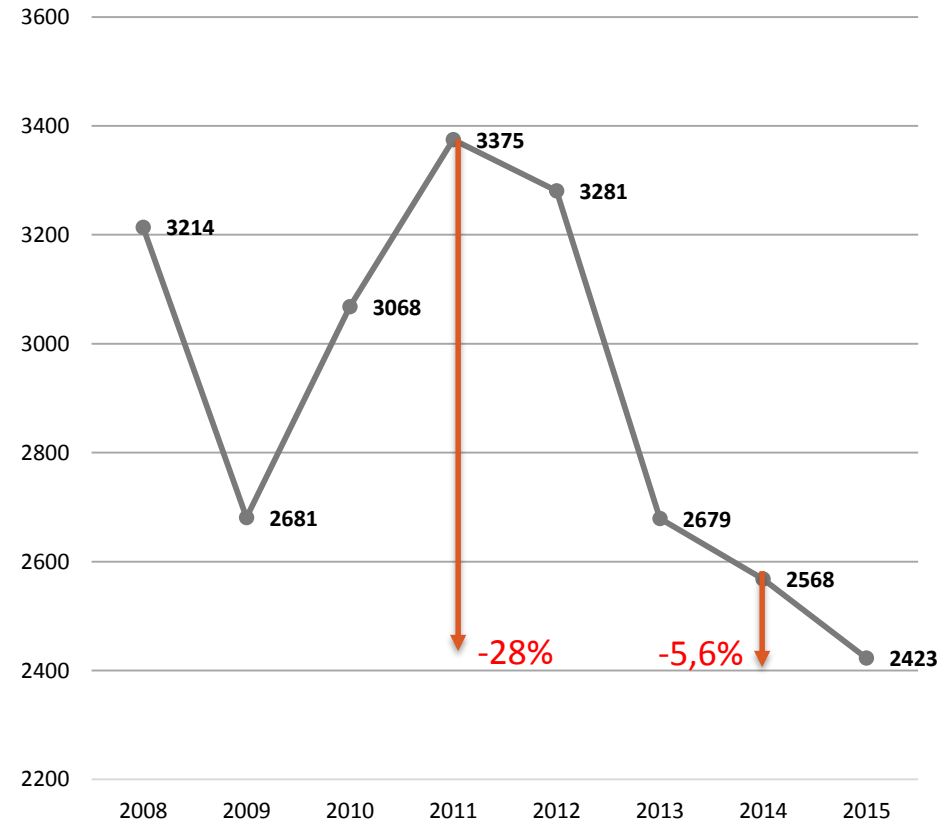
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- Brief introduction of Lithuanian gas market,
- Latest regulatory developments:
  1. Main changes in legal base;
  2. Licensing;
  3. REMIT implementation;
  4. Upcoming decisions.

# Introduction: Evolution of Gas Market in Lithuania



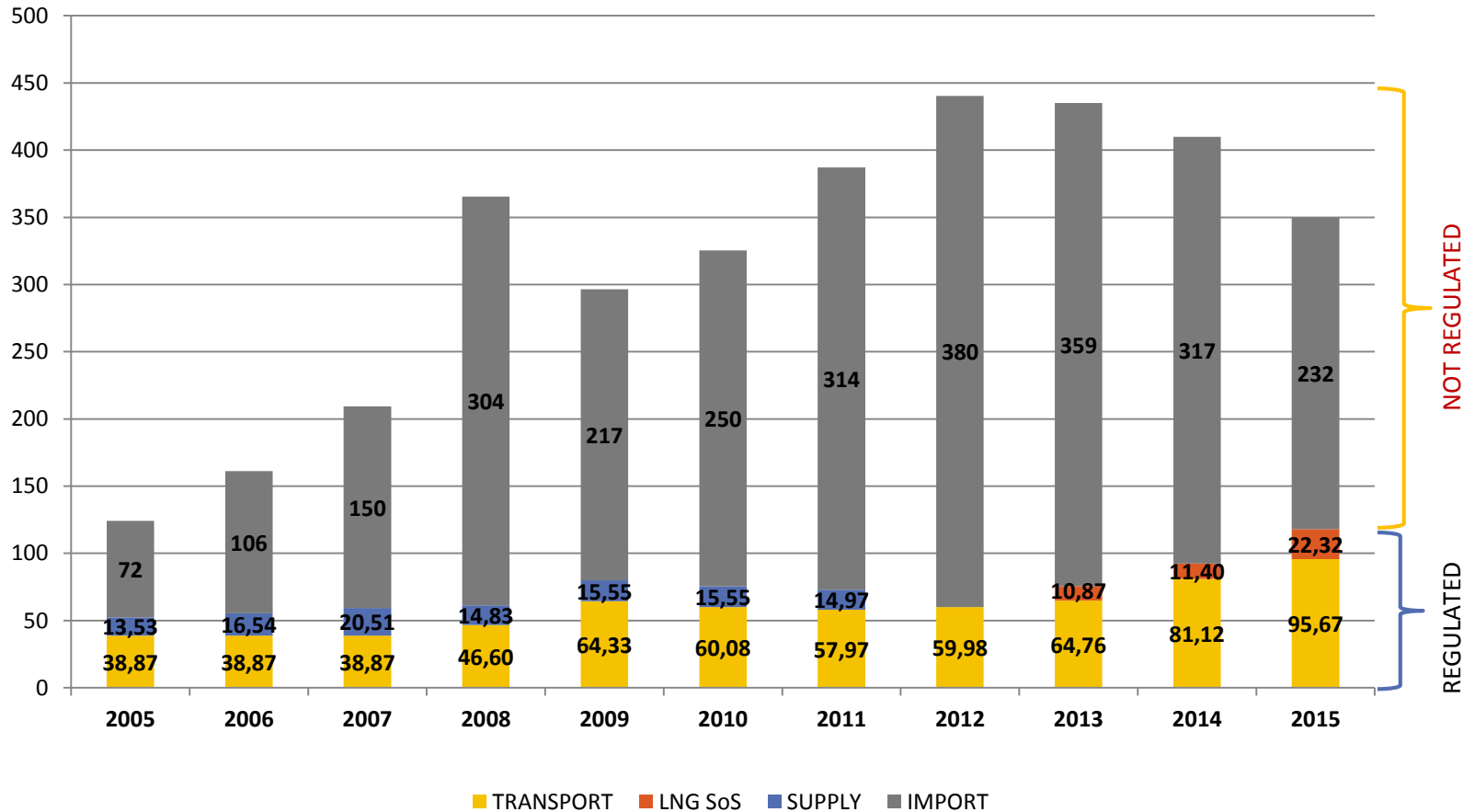
Average import price, Eur/1000 m<sup>3</sup>, 2008-2015



Consumption, mcm, 2008-2015

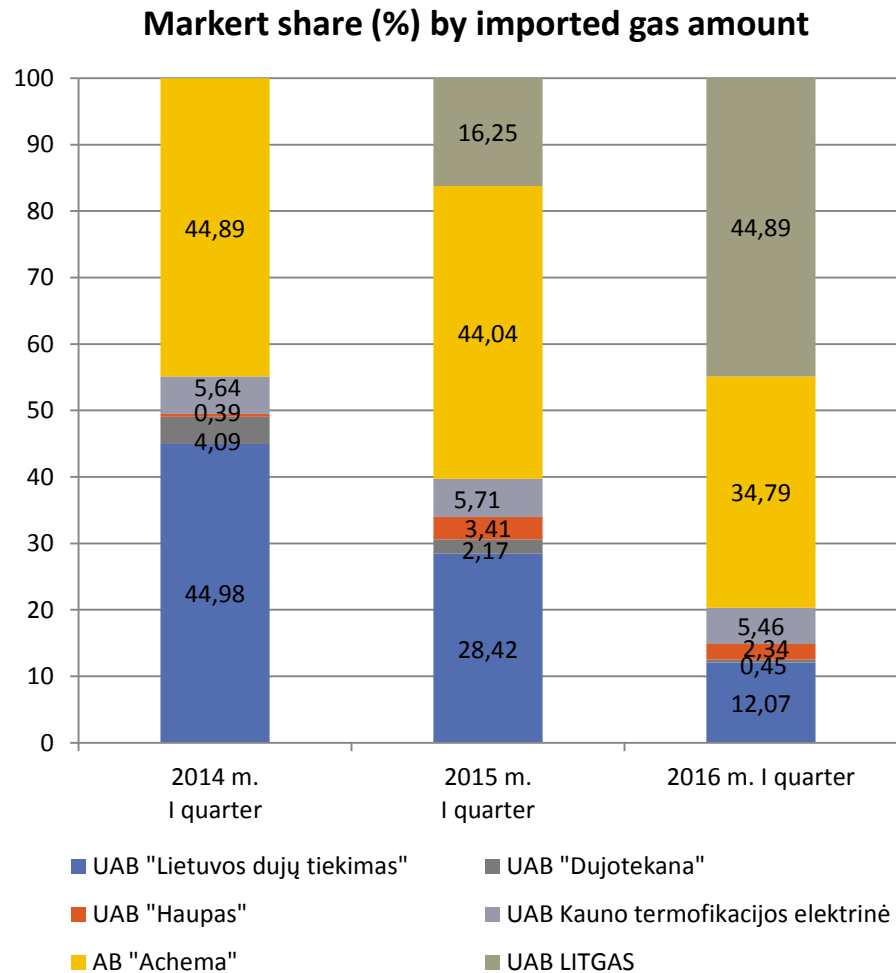
# Introduction: Evolution of Price Structure for Average End-User

(Eur/1000 m<sup>3</sup>)



# Introduction: Competition in the natural gas market

- 14 active suppliers (out of 35) in 2016;
- 3 new licenses for the supply of natural gas issued in 2015;
- 1 new license for the supply of natural gas issued in the 1<sup>st</sup> quarter of 2016.



# Latest regulatory developments

1. Main changes in legal base;
2. Licensing;
3. REMIT implementation;
4. Upcoming decisions.

# Main changes in legal base (1/4)

Main changes in the Law on the Liquefied Natural Gas terminal:

- not only LNG terminal operating (regasification) costs but also costs of the minimum required amount of natural gas supplied through the terminal should be evaluated in security of supply component;
- the security of supply is calculated not for a natural gas unit but for a consumption capacity unit.

On the 2nd of December 2015 Government approved the Natural gas supply diversification rules where set:

- Set principles on declaration of consumption capacity;
- realization of LNG terminal minimum required quantity, which is not consumed by regulated energy companies in the market;
- On the 24<sup>th</sup> of February, 2016: the possibility to update declared consumption capacity.

On the 15<sup>th</sup> of December, 2015 NCC approved a Methodology of setting the forecasted natural gas market price.

On the 17<sup>th</sup> of December, 2015 NCC adjusted Methodology of setting state-regulated prices for natural gas sector, which established a new calculation of security of supply component.

# Main changes in legal base (2/4)

## Concept of Forecasted Natural Gas Market price.

Forecasted natural gas market price is set for state regulated energy producers which have an obligation to purchase the minimum required supply quantity through LNG terminal (before state regulated energy producers purchased compulsory amount of natural gas according to its import price).

The Methodology includes the main principles of calculation the forecasted natural gas market price taking into consideration:

- Imported and resold natural gas quantities in Lithuania for the last 12 months;
- Forecasted price of natural gas according to the natural gas import agreements' formulas valid on the natural gas market price calculation moment;
- Transactions (buy and sell) executed on exchange for the last 12 months.

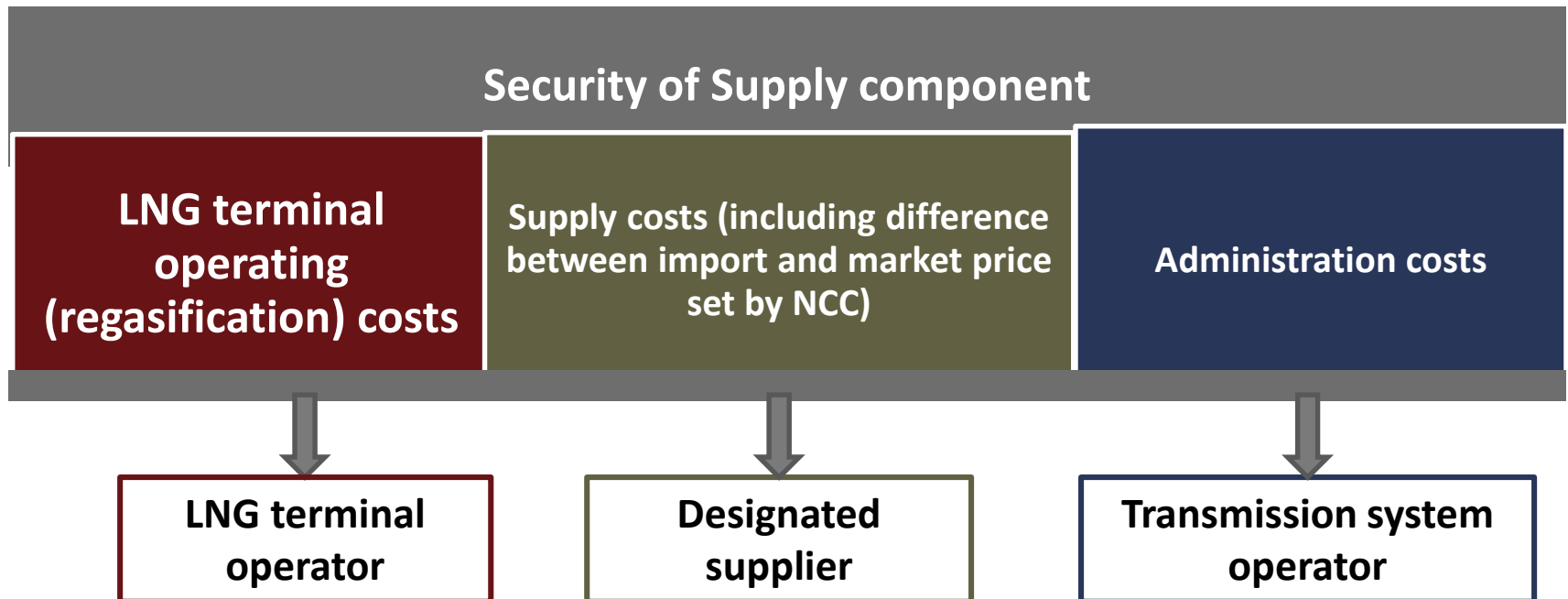
On the 18<sup>th</sup> of December, 2015 NCC set the market price equal to **16,96 Eur/MWh**, which came into force from the 1st of January, 2016.

- “10 % rule” – if the factors for the market price is significant (difference more than 10%), NCC may recalculate market price twice a year

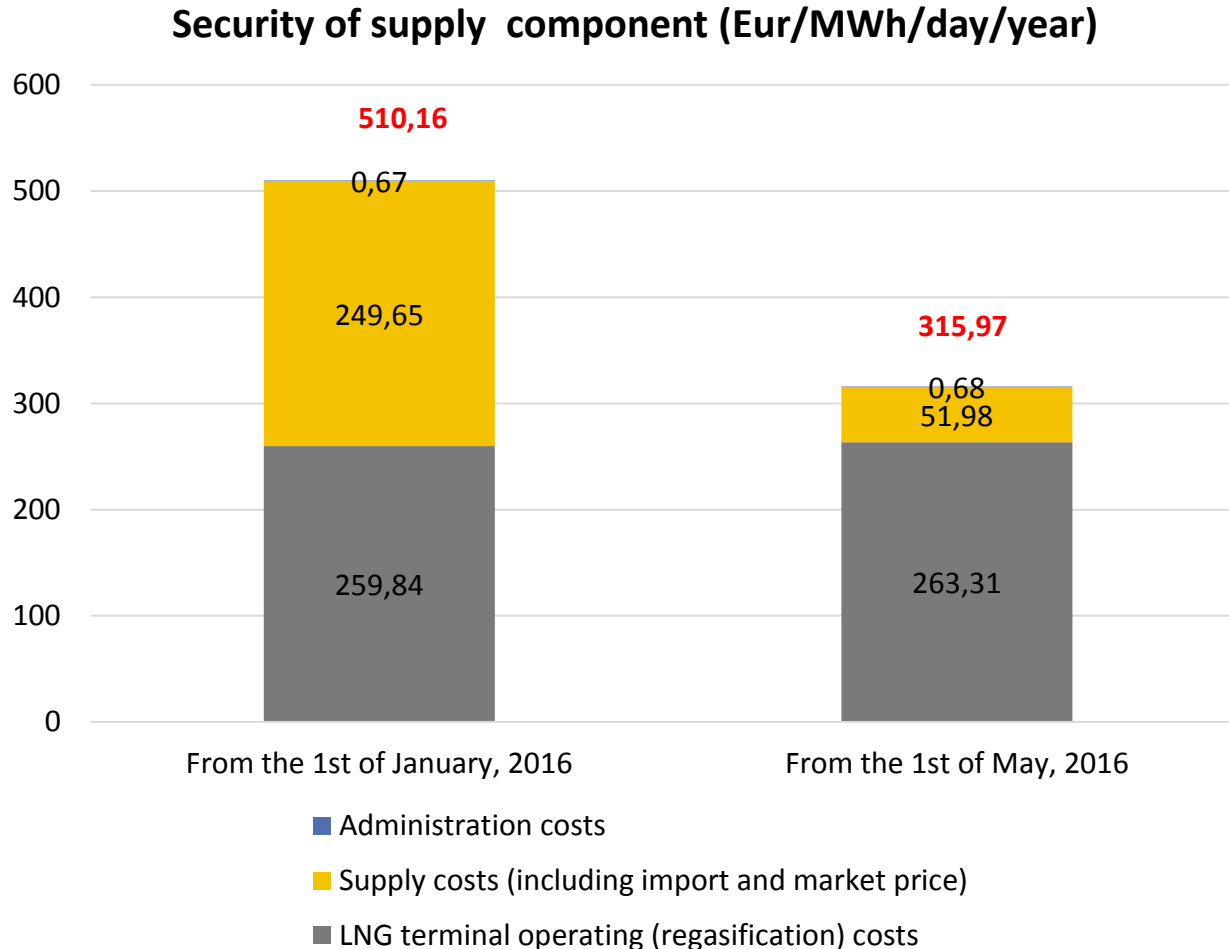


# Main changes in legal base (3/4)

The Methodology of setting state-regulated prices for natural gas sector stipulates that all LNG terminal operating (regasification) costs and **required amount of natural gas supply costs** should be evaluated in security of supply component, to the transmission price.



# Main changes in legal base (4/4)



NCC is going to set security of supply from the 1<sup>st</sup> of July, 2016.

# Licensing

**Licensing of natural gas supply.** Currently NRAs, Ministries and other market participants in regional working group are discussing harmonization of the natural gas supply licensing framework. For Lithuanian natural gas supply market this would mean more liberalized framework.

**New natural gas distribution licenses.** Following the merge of the largest natural gas distribution system operator (AB “Lietuvos dujos”) and electricity distribution system operator (AB “LESTO”), on the 30<sup>th</sup> of December, 2015 new license (No. L2-GDS-09) was issued to AB “Energijos skirstymo operatorius”.

# REMIT implementation

## Recent activities:

- **Event:** Considering the second phase of reporting obligations from the 7<sup>th</sup> of April, 2016, NCC organized a seminar on REMIT for market participants on the 16<sup>th</sup> of March, 2016 in order to remind the market about the REMIT responsibilities.
- **FAQ:** Following the relevant REMIT topics for Lithuanian market participants, NCC constantly updates its special “Frequently-asked-questions” document.
- **Currently:** we are working on creating market monitoring system.
- At the moment 67 market participants (gas and electricity) are registered under NCC CEREMP system.

# Upcoming decisions

- Rules for use of the LNG terminal
- New gas prices for households for 2016 II semester
- Natural gas market price from 1<sup>st</sup> of July, 2016
- LNG SoS component to the transmission price form 1<sup>st</sup> of July, 2016
- Harmonization of cost allocation rules between regulated sectors



Thank you for your attention.