

## Amendments to the Common regulations for the use of Natural Gas Transmission System

### **Supplement the common regulations with sub-paragraph 4.3.3 as follows:**

“4.3.3 with allocation exceeding the booked capacity it is considered, that network user has booked within-day capacity product in the amount by which allocated quantity exceeds already booked capacity for the respective entry/exit point with third country within a given gas day.”

#### **Justification:**

Taking into account that at the entry-exit points with third country the physical flow of gas due to the technical reasons can exceed the capacity booked by the network users of the specific entry-exit points with third countries and due to the allocation rule defined by the sub-paragraph 8.1.4.3., there can be situations in which TSOs have a risk of not getting proper remuneration for the services provided.

In order to incentivise network users to follow the fulfilment of the supply agreements and ensure TSOs with proper remuneration for the services provided the common regulations shall be supplemented with a new sub-paragraph 4.3.3 foreseeing the principles for TSO’s action when allocation exceeds the booked capacity.

### **Sub-paragraph 5.3.9 shall be modified and expressed as follows:**

“5.3.9 The rights and obligations arising from the transmission service agreement shall be reserved by the network user until and to the extent any part of the capacity surrendered by it is sold again by the TSO. If the surrendered capacity is not sold, the network user surrendering the capacity shall have full rights and obligations of the capacity intended for surrendering.”

### **Supplement the common regulations with sub-paragraph 5.3.9.1 as follows:**

“5.3.9.1 If the TSO sold the capacity surrendered in part or in full, the network user receiving the surrendered capacity shall pay the amount of reallocated surrendered capacity on the basis of capacity product tariff applicable at the time of capacity product booking by the network user surrendering the capacity and only to the extent of surrendered capacity starting from the shortest period capacity product. In case and to the extent capacity is resold to the network user receiving the surrendered capacity, the network user surrendering the capacity shall be released from the payment obligation for the amount of reallocated surrendered capacity starting from the shortest period capacity product.”

**Justification:**

Changes are required for clarification of the rules of capacity surrendering and remuneration of network user for surrendered capacity. Proposed mechanism foresees surrendering to start from the shortest period capacity product (day-ahead) to the longest period capacity product, remunerating network user according to the tariff of the capacity product surrendered. For example, if network user has day-ahead and monthly capacity product valid for the specific day on which capacity surrendering is performed, first-hand the capacity of day ahead product can be surrendered and only then the capacity of the monthly product for a specific day can be surrendered. Remuneration for the surrendered monthly capacity will be calculated proportionally to the number of the days and capacity surrendered:

$$R_p = \sum_{i=1}^p \frac{T_p}{p} \times QS_d(i)$$

where:

$R_p$  – remuneration for the specific surrendered capacity product, EUR;

$T_p$  – tariff applicable to specific capacity product, EUR/MWh/d/period;

$p$  – length of the period of the use of the capacity product, days;

$QS_d(p)$  – capacity of the specific capacity product surrendered at specific gas day, MWh/d

**Sub-paragraph 7.10.3.3 shall be modified and expressed as follows:**

“7.10.3.3 in the case of accepting the nomination or re-nomination would change the confirmed nominations on the hours of the gas day already passed.”

**Justification:**

According to the current edition of the sub-paragraph network user has the rights at the last renomination cycle for the gas day D to submit renomination, changing the value for the whole gas day. Such practice could create implied negative flows at entry/exit points where in case of utilisation close to maximum technical capacity it can increase risk of interruption and necessity for TSO to rearrange the flows in opposite direction. At the same time such practice would increase the uncertainty for calculation of the required balancing actions and risk of execution of unjustified balancing actions performed by TSO before receptions of such renomination, influencing the overall neutrality charge.

Article 17(1)(a)(iii) of Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks (BAL NC) establishes the right of a transmission system operator to reject nomination or re-nomination no later than two hours after the nomination deadline or the beginning of the re-nomination cycle in case the acceptance of the daily nomination or re-nomination

would result in a negative implied nomination flow rate. Whereas Article 17(1)(b)(ii) of BAL NC grants the transmission system operator a right to reject a re-nomination no later than two hours after the beginning of the re-nomination cycle in case the acceptance of the hourly re-nomination would result in an expected gas flow change before the end of the re-nomination cycle.

Besides, Article 7.2 of Gas transmission rules of Gasgrid Finland allows to renominate only for the remaining hours of the gas day, the existence of non-compatible re-nomination rule for the gas market creates unjustified complexity for market participants. It is line with common practice applied by the other EU TSOs.

**Supplement the sub-paragraph 8.1.4.3 after the word “measured” with the word “daily” and after the words “nominated gas quantity” with the words “for the day”:**

“8.1.4.3 if there is no agreement establishing operational balancing account TSO shall allocate the difference between the nominated flow and the measured daily quantity pro-rata to nominated gas quantity for the day of all network users proportionally unless proven by terms of delivery agreement to have fixed agreement for the relevant period. Allocated gas quantity shall not exceed flexibility limits specified in network user's flexible delivery agreement.”

**Justification:**

Daily allocation is proposed at 3<sup>rd</sup> country entry-exit points because of following reasons:

Monthly allocation of differences makes balancing action forecasting and acting feasible only closer to end of month due the fact that allocation is not final and will change at the end of month, depending on physical flow. At the same time TSOs have to execute balancing actions in situation when reliability of flow mainly depends on supplier's ability to supply gas. It logically would lead to execution of balancing actions closer to end of month (because of better forecast closer to end of month), but, as TSOs are responsible for stable and integral operations of transmission system and natural gas prices can change rapidly, TSO balancing expenses can be influenced drastically, eventually translating into increased neutrality charge paid by all system users of Common balancing zone (i.e. the lack of gas from 3<sup>rd</sup> country point will be paid for by all network users of the Common balancing zone). Daily measured allocation would allow for clear daily balancing actions, with network user imbalance price correlation with the supply/demand situation on the market.

**Sub-paragraph 12.3 shall be modified and expressed as follows:**

“12.3 The network users are invoiced for capacity products in conformity with the tariffs of the transmission system services, which have been specified in accordance with the procedures laid down in the national law, where the TSO has its registered office.”

**Justification:**

The processes of booking of transmission system capacity and actual use of booked capacity are independent processes. The mutual obligations stemming from the act of booking of the capacity are effectively created with the capacity booking request confirmation sent to network user by the TSO. It

eventually means that TSO takes upon guaranties towards system user to ensure system services in the booked amount and that such capacity will not be allocated to any other system user starting from the time of booking request confirmation till the end of the booking window for the specific capacity product. Common rules foresee no limits for secondary capacity trading and if the obligation to pay for capacity is tied to the time of the actual use of specific capacity product, it creates option for capacity hoarding and targeted behaviour of capacity booking for arbitrage on the secondary market if some market metrics would identify potential scarcity of capacity at a specific entry-exit point.

**Sub-paragraph 15.1 shall be modified and expressed as follows:**

“15.1 The transmission service agreement may be amended upon the written consent between the TSO and the network user, insofar amendments to the transmission service agreement do not contradict the Regulation, or on another basis set out in the legislation.”

**Sub-paragraph 15.2 shall be modified and expressed as follows:**

“15.2 The Regulation may be amended or repealed, as applicable, after consultation of the public and coordinated approval by and between the national regulatory authorities of the common balancing zone, and such amendment or repeal shall automatically apply to the transmission service agreement as of the moment such amendment or repealed Regulation has become effective.”

**Supplement the sub-paragraph 18.3 after the words “liquefaction activities” with the words “and the other TSO of the common balancing zone”**

**Replace in sub-paragraph 1.3.2 word “Izborsk” with the word “Luhamaa”**

**Delete in sub-paragraph 2.19 the words “period of”**

**Delete in sub-paragraph 2.20 the words “period of”**

**Sub-paragraph 7.1.4 shall be modified and expressed as follows:**

“7.1.4 For entry and exit points referred to in sub-paragraph 4.2 of the Regulation nomination is considered as application for implicit capacity allocation and capacity is allocated based on confirmed quantity.”

**Sub-paragraph 7.1.4.1 shall be deleted**

**Replace in sub-paragraph 7.2 the number “1.4” with the number “1.3”**

**Replace in sub-paragraph 7.9.4 the number “7.11” with the number “7.12”**

**Supplement the sub-paragraph 8.1.4 after the words “third countries” with the words “or exit points to third countries”**

**Replace in repetitive sub-paragraph 8.1.5.1.1 the numbering to “8.1.5.1.2”**

**Replace in sub-paragraph 8.2.2 the number “12.00” to “13.00” and the number “11.00” with the number “12.00” – alignment with the common balancing rules**

**Replace in sub-paragraph 8.2.2.1 the number “8.2.2.1” with the number “8.2.3”**

**Delete in sub-paragraph 8.2.2.1 the word “the” following the words “the network user”**

**Replace in sub-paragraph 12.6 the number “10th” with the number “12th”**

**Sub-paragraph 19.9 shall be deleted**