**Common Regulations for the Use of Natural Gas Transmission System**

Annex 1

**Collateral rules for Estonia accompanying this Regulation of the network rules**

1. The Estonian TSO shall be entitled before conclusion of the transmission service agreement or during the validity period of the transmission service agreement to request the network user to submit a collateral for fulfilment of liabilities in the form of either:

1.1 security deposit;

1.2 guarantee of the bank registered in European Union Member State or in European Economic Area country, being in compliance with the criteria determined in paragraph 5;

1.3 proof of appropriate credit rating complying with paragraph 3.

2. The network user shall have an obligation to inform immediately the TSO on any changes in the credit rating of the network user. The TSO shall be entitled to request the network user to submit updated information on the credit rating of the network user.

3. The network user's credit rating shall be deemed appropriate, if it complies with at least one of the following criteria:

3.1 a long-term rating of BBB- or higher under Standard & Poor's;

3.2 a long-term rating of BBB- or higher under Fitch;

3.3 a long-term rating of Baa3 or higher under Moody's.

4. The network user shall submit the collateral to the TSO within seven business days from the receipt of the TSO's request.

5. A financial service provider's guarantee shall be recognised by the TSO as a suitable collateral if it meets the following conditions:

5.1 the guarantee is issued by a financial service provider whose or whose group's credit rating of long-term borrowing in foreign currency is at least Baa1 according to Moody's or BBB+ according to the Standard & Poor's, or BBB+ according to Fitch Ratings. If the financial service provider or its group has been granted the required long-term borrowing rating by at least one credit agency mentioned in this paragraph, the guarantee provided by such financial service provider or its group shall be deemed suitable;

5.2 it is an irrevocable first demand guarantee.

6. The collateral must be valid for the entire duration of the transmission service agreement.

7. The amount of security deposit or guarantee for fulfilment of liabilities of the transmission service agreement shall be either 30 000 € or forecasted next month's service fee under transmission service agreement, whichever is higher. In case forecast is not available, previous month's entry and exit flow with related transmission tariffs are used to calculate collateral amount. TSO has the right to request increasing of the security deposit or guarantee amount during a month in case the forecast is exceeded.

8. If the network user does not renew the collateral or does not increase the collateral amount within 20 business days from the moment the collateral no longer complies with the provisions of these rules, the TSO shall be entitled to terminate the provision of the transmission system services as stipulated by the transmission service agreement until the network user provides a new collateral that fulfils the provisions of these rules or increases the current collateral. While the services are not provided, the TSO shall be entitled to allocate the transmission capacity booked by the network user to another network user as unused capacity.

9. Upon termination of the transmission service agreement, the TSO shall return the collateral to the network user within five business days in the amount not used to discharge the network user's outstanding obligations or shall return the original guarantee of the financial service provider or of related merchant.

Annex 2

**Collateral rules for Latvia accompanying this Regulation of the network rules**

1. The TSO shall evaluate the information established in sub-paragraph 3.1.5. of these Regulation to determine the need to request the network user to submit a security for the fulfilment of liabilities (security deposit, guarantee of a financial service provider or the affiliate entity, which corresponds to the criteria established in paragraph 4 of this Annex, guarantee) when concluding the transmission service agreement or during its validity.

2. The network user after the first full calendar year since the conclusion of transmission service agreement shall, not less than once a year, submit to the TSO updated information on credit rating of the network user. The network user has an obligation to immediately inform the TSO of any changes in the credit rating of the network user. The TSO shall have a right to require the network user to submit an actual information on the credit rating of the network user.

3. The TSO shall be entitled to request a network user, when concluding the transmission service agreement, or during duration of the transmission service agreement, to submit a security for fulfilment of liabilities (security deposit, guarantee of a financial services provider or the affiliate entity, which corresponds to the criteria established in paragraph 4 of this Annex, guarantee) to cover the payment claims arising from the transmission service agreement if:

3.1. The TSO has grounds to believe that the network user is wholly or partly unable to cover the liabilities arising from the transmission service agreement;

3.2. An insolvency procedure or liquidation proceedings have been initiated for the network user;

3.3. According to the criteria established in paragraph 4 of this Annex, the network user does not have an appropriate credit rating;

3.4. The network user delays payments arising from the transmission service agreement, which have become due, twice over 12 months.

4. The credit rating of the network user shall be deemed appropriate if it complies with at least one of the following criteria:

4.1. Standard & Poor's long-term rating is BBB- or higher;

4.2. Fitch long-term rating is BBB- or higher;

4.3. Moody's long-term rating is Baa3 or higher;

4.4. Creditreform rating for risk class II or higher, or an equivalent credit rating of a generally known credit agency or rating agency and the credit amount, established in the issued rating reference to the network user, complies or exceeds the amount of security for fulfilment of liabilities as set in paragraph 10 of this Annex.

5. If the network user or the affiliate entity does not agree with the findings of the TSO of the non-compliance of the network user or the affiliate entity with the credit rating, the network user or the affiliate entity, as appropriate, may, within five business days, submit appropriate evidence for the TSO to objectively evaluate creditworthiness of the network user.

6. The network user may simultaneously choose one or more types of security for the fulfilment of liabilities (a security deposit, guarantee of a financial service provider or the affiliate entity, which credit rating corresponds to the criteria established in paragraph 4 of this Annex, guarantee).

7. The network user shall submit a security for the fulfilment of liabilities to the TSO within seven business days from the day of receipt of the relevant request.

8. The TSO shall recognize the guarantee as a proper security for the fulfilment of liabilities if it complies with the following provisions:

8.1. The guarantee has been issued by a financial services provider who or whose group has at least Baa1 credit rating in accordance with Moody's agency or BBB+ in accordance with Standard & Poor's agency, or BBB+ in accordance with Fitch Ratings agency for long-term foreign currency loans. If at least one of the credit rating agencies indicated in this paragraph has granted a long-term loan rating to the financial services provider or its group, it shall be deemed that the guarantee issued by such financial services provider or group thereof is appropriate;

8.2. The guarantee has been issued by an affiliate entity, which credit rating corresponds to paragraph 4 of this Annex;

8.3. The guarantee shall be first demand and irrevocable.

9. A security for the fulfilment of liabilities must be in force during the operation of the transmission service agreement, if the TSO has requested the security for the fulfilment of liabilities.

10. The TSO shall lay down an amount of the security for fulfilment of liabilities under the transmission service agreement in double amount of the average monthly payment by the network user for capacity over the last 12 months. If the period of use of the transmission system is shorter than 12 months, this period shall be used as the grounds for the determination of an amount for the fulfilment of liabilities, but amount of the security for the fulfilment of liabilities shall not be less than EUR 25 000.

11. If liabilities of the network user within the framework of the transmission service agreement exceed the sum for which the security for the fulfilment of liabilities has been issued, the TSO has the right to request the network user to increase the amount of the security for the fulfilment of liabilities and submit a new security for the fulfilment of liabilities to the TSO within seven business days which complies with the provisions of this Annex.

12. If the network user fails to restore the security for the fulfilment of liabilities or to increase the amount thereof within 20 business days from the moment when the security for the fulfilment of liabilities does not comply with the provisions of this Annex, the TSO has the right to discontinue provision of transmission system service in accordance with the procedures laid down in this Regulation until the moment the network user submits a new security for the fulfilment of liabilities or increases amount of the existing security for the fulfilment of liabilities complying with the provisions of this Annex. During discontinuation period of the provision of service the TSO has the right to allocate the capacity reserved by the network user in the transmission system to another network user as unused capacity.

13. Upon termination of the transmission service agreement, the TSO shall, within five business days, refund to the network user the sum of security for the fulfilment of liabilities which is not used to extinguish the unfulfilled liabilities of the network user or return the original of the guarantee of the financial service provider or the affiliate entity, which credit rating corresponds to paragraph 4 of this Annex, guarantee original.