

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

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## 1. General provisions

- 1.1. This Regulation establishes the rights, obligations and the information exchange procedure between the natural gas (hereinafter - gas) transmission system operators of Estonia (Elering AS) and Latvia (AS "Conexus Baltic Grid") (referred to as "TSO" or jointly as "TSOs") and the network users (referred to as "network user") in relation to the use of the gas transmission systems (referred to as "transmission system"), capacity booking, nominations and allocation within the common balancing zone comprising of Estonia and Latvia.
- 1.2. This Regulation applies:
  - 1.2.1. to both transmission systems within the territories of Estonia and Latvia;
  - 1.2.2. to all network users who have entered into a legally binding balancing agreement and a transmission service agreement with any TSO within the common balancing zone;
  - 1.2.3. in a non-discriminatory manner to any type of gas that can be technically and safely injected into, and transported through the transmission systems of the common balancing zone, in accordance with the relevant national technical rules and safety standards applicable, provided that such gas meets the applicable gas quality requirements.
- 1.3. The entry points and exit points regulated under this Regulation, where the gas can be injected or off-taken from the common balancing zone, are as follows:
  - 1.3.1. entry/exit point Värskä (Russia-Estonia);
  - 1.3.2. entry/exit point Luhamäa (Russia-Estonia);
  - 1.3.3. entry/exit point Narva (Russia-Estonia).
  - 1.3.4. entry/exit point Balticconnector (Estonia-Finland);
  - 1.3.5. entry/exit point Kiemėnai (Lithuania-Latvia);
  - 1.3.6. entry/exit point Inčukalna underground gas storage facility (Latvia);
  - 1.3.7. exit point to Estonian domestic consumption;
  - 1.3.8. exit point to Latvian domestic consumption;
  - 1.3.9. entry point from Estonian production;
  - 1.3.10. entry point from Latvian production;
  - 1.3.11. entry point from liquefied natural gas (hereinafter – LNG) facility.
- 1.4. The applicant and the network user shall, when contacting the TSO in the situations outlined in this Regulation, provide information and documents to the TSO in either English or the national language of the country where the TSO is registered. The information and documents specified in this Regulation, when transmitted electronically, shall be signed with a secure electronic signature, unless otherwise agreed between the TSO and the applicant and the network user.
- 1.5. The transmission service agreement and any modifications therein shall align with provision of this Regulation.
- 1.6. The terminology used in this Regulation holds the same meaning as set in European Union legislation unless otherwise specified in paragraph 2 of this Regulation.

## 2. Definitions

- 2.1. **Additional capacity** means firm capacity of entry or exit point made available in the event of congestion management, or in the event of submission of nominations capacity in excess of the network user's booked capacity.
- 2.2. **Applicant** means a legal person who submits an application to the TSO to acquire the rights to use the transmission system of the common balancing zone.
- 2.3. **Bundled capacity** means a firm capacity product offered on a firm basis which consists of corresponding entry and exit capacity at both sides of an interconnection point.
- 2.4. **Business day** means any day from Monday to Friday that is not a public holiday in any of the countries in the common balancing zone, and working day transferred in accordance with the law of the respective country in the common balancing zone.
- 2.5. **Capacity booking application** means a request which a network user submits to the TSO regarding the booking of capacity using the standard communication protocol.
- 2.6. **Common balancing zone** means the common Estonian and Latvian balancing zone in which an imbalance position for each network user is determined and where this Regulation applies.
- 2.7. **Common IT Platform** means the IT platform for operational planning and information exchange with contracted parties within the Estonian-Latvian common balancing zone accessible at <https://platform.conexus.lv/>.
- 2.8. **Connection agreement** means the agreement between the connected party and the TSO concerning the connected party's connection to the transmission system.
- 2.9. **Counterparty** within the meaning of this Regulation means a natural or legal person making use of an adjacent gas transmission entry-exit system, gas storage facility or LNG terminal facility, supplying gas to the network user at the entry or exit points of the transmission system, or the network user delivers gas to him.
- 2.10. **Capacity booking** means the procedure of online booking of transmission capacity using the standard communication protocol.
- 2.11. **Domestic consumption** is calculated by summing the gas off-taken from the exit point to the distribution system and the gas off-taken from the exit point to consumer directly connected to the transmission system.
- 2.12. **Energy identification code** (hereinafter - the EIC) means the identification code assigned to market participants in accordance with the Energy Identification Coding scheme.
- 2.13. **Entry capacity** means the available transmission system capacity at a given entry point.
- 2.14. **Entry point** means a physical location or virtual point where gas is physically delivered or commercially injected into the transmission system.
- 2.15. **Exit capacity** means the available transmission system capacity at a given exit point.
- 2.16. **Exit point** means a physical location where the gas transmission ends and gas is injected to the adjacent transmission system, distribution system or directly to the consumption site that is connected to the transmission system. If the distribution system is connected to the transmission system in multiple physical points, all of these points are considered as a single exit point.
- 2.17. **First-Come-First-Served principle** (hereinafter - FCFS principle) means the capacity allocation method when capacity is allocated primarily to the network users who have applied for capacity booking at the earliest.
- 2.18. **Fixed delivery agreement** means type of gas sale - purchase agreement where gas is supplied in accordance to in advance arranged delivery schedule.

- 2.19. **Flexible delivery agreement** means type of gas sale - purchase agreement that allows gas to be supplied in accordance with network user's demand with flexibility to adjust delivery schedule.
- 2.20. **Gas day** means a period from 5:00 to 5:00 UTC the following day for winter time and from 4:00 to 4:00 UTC the following day when daylight saving is applied.
- 2.21. **Gas month** means a period beginning on the first day, at 5:00 UTC of each calendar month and ending on the first day, at 5:00 UTC of the next calendar month from 4:00 to 4:00 UTC when daylight saving is applied.
- 2.22. **Gas quarter** means the period from 5:00 UTC on 1 January to 5:00 UTC on 1 April (Q2); the period from 5:00 UTC on 1 April to 5:00 UTC on 1 July (Q3); the period from 5:00 UTC on 1 July to 5:00 UTC on 1 October (Q4); the period from 5:00 UTC on 1 October to 5:00 UTC on 1 January (Q1) in the winter time, from 4:00 to 4:00 UTC when daylight saving is applied.
- 2.23. **Gas year** means a period beginning on 1 October at 5:00 UTC of each year and ending on 1 October at 5:00 UTC of the following year in the winter time, from 4:00 to 4:00 UTC when daylight saving is applied.
- 2.24. **Imbalance** means a situation where allocations into the transmission system by a network user differs from off-takes from the transmission system by that network user during the gas day.
- 2.25. **Interruption** means limitation of network user's rights to use the transmission system, i.e. the limitation of the right to transmit gas by using booked firm or interruptible capacity.
- 2.26. **Network user**, as defined in this Regulation, means a person who has concluded a transmission service agreement and uses the transmission system service in the common balancing zone.
- 2.27. **Production**, as defined in this Regulation, refers to the gas that is injected into a transmission system from production facility.
- 2.28. **Pro-rata** means the principle of allocation of capacity when the available transmission capacity is allocated in proportion to the capacity booked by the network users.
- 2.29. **Re-nomination** means the subsequent reporting of a corrected nomination.
- 2.30. **Reporting period** means the time period of one month.
- 2.31. **Third country**, as defined in this Regulation, means the russian federation.
- 2.32. **Transit**, as defined in this Regulation, means the transmission of gas originating from a third country and designated for a third country through the territory of the common balancing zone and other adjacent balancing zones.
- 2.33. **Transmission service agreement** means the agreement concluded between the TSO and the network user, which entitles the network user to use the transmission systems of the common balancing zone and ensures the performance of the transmission service to the network user within the common balancing zone.
- 2.34. **Long Term Use It Or Lose It** (hereinafter - UIOLI) means a procedure of reallocation of transmission system capacity systematically booked but not used in case of the request of other network users for the firm capacity.
- 2.35. **Virtual reverse flow** means virtual, commercial flow netted off from the physical forward flow meaning the former can be allocated in the opposite direction when forward flow capacity has been nominated.

### 3. Conditions for the conclusion of transmission service agreement

- 3.1. To obtain the right to use the transmission systems of the common balancing zone, the applicant must submit an electronic application for the conclusion of a transmission service agreement to the TSO with whom the balancing agreement has been concluded. The application shall be submitted in accordance with the provided application form, which can be found at the TSO's website. Along with the application, the applicant is required to provide the following data and documents:
  - 3.1.1. contact details of the representative(s) authorized to assume obligations on behalf of the applicant (including full name, title, phone number, e-mail address), and documents proving the representative(s)' right to act on behalf of the applicant;
  - 3.1.2. if the application is submitted by an authorised representative of the applicant, a proof of representation shall be provided;
  - 3.1.3. a document demonstrating that the applicant has registered its commercial activity in accordance with to the laws and regulations of the relevant country;
  - 3.1.4. a document certifying that no insolvency procedure has been announced for the applicant, that the economic activity of the applicant is not suspended, and that the applicant is not undergoing liquidation. This document must be issued not later than one month prior to the day of submitting the application;
- 3.2. After the submission of the application, if there are any changes in the data or documents provided in the application, the applicant shall notify the TSO of such changes within three (business days).
- 3.3. The TSO shall evaluate the application and documents provided within ten business days from the date of receipt. The TSO may request the applicant to submit the missing documents and additional information if necessary.
- 3.4. If the TSO requests additional information or documents, the applicant shall submit them within ten business days from the date of the request. If the applicant fails to submit the requested additional information or documents within the deadline, the application shall be considered withdrawn.
- 3.5. Once the applicant has submitted all the requested documents and additional information mentioned in sub-paragraph 3.1 and 3.2 of the Regulation, the TSO shall, within five business days of receiving the documents and additional information, prepare the transmission service agreement. The TSO will then send the agreement to the applicant electronically or in written by post for signing.
- 3.6. The applicant is required to return the signed transmission service agreement to the TSO electronically or in two copies if the agreement is signed in written form, within ten business days from the date of dispatch of the transmission service agreement. Failure to return the signed transmission service agreement to TSO within fifteen (15) business days from the date of dispatch will result the applicant being considered to have withdrawn its application.
- 3.7. Upon receiving the signed transmission service agreement, the TSO shall sign the agreement within three business days and send one copy of the agreement back to the applicant.
- 3.8. The TSO shall send a motivated written refusal to conclude the transmission service agreement electronically or by post to the address indicated in the application within the time period established under the laws of the country where the TSO has its registered office.
- 3.9. Upon the signature of the transmission service agreement, the network user agrees to adhere the terms of use of the Common IT platform as published on the TSO's website.

- 3.10. Upon the conclusion and throughout the validity of the transmission service agreement, the network user is requested to provide appropriate collateral to ensure the fulfilment of their obligations under the agreement in accordance with the Annex of this Regulation.

#### 4. General conditions for access to the transmission services

- 4.1. Network user, which injects gas into or off-takes from the transmission system of the common balancing zone, must book corresponding entry or exit capacity at the entry or exit points for using transmission services.
- 4.2. Transmission services are accessible to network user:
  - 4.2.1. via website of Common IT Platform or;
  - 4.2.2. through direct connection to Common IT Platform via AS4 data exchange protocol in accordance with conditions for access.
- 4.3. The details and principles of information exchange between network user and TSO on the Common IT Platform is set in the information exchange guidelines, which are published on the TSO's website and Common IT Platform.
- 4.4. The format of information exchange between the TSO and the network user follows the EDIG@S standard.
- 4.5. In order to access the Common IT Platform the network user shall have concluded a transmission service agreement with the TSO and secured the fulfilment of contractual obligations in accordance with Annex of the Regulation.
- 4.6. The capacity products are expressed and allocated in units of energy per unit of time - kWh/day.
- 4.7. In order to access transmission services at entry point where bundled capacity is offered, network user shall have also a valid agreement for the use of transmission services with the adjacent transmission system operator.
- 4.8. In order to access transmission services at entry point from Latvian production or at exit point to Latvian domestic consumption, network user shall have respective producer physical point or consumer physical point attributed to network user's portfolio.
- 4.9. Entry point from Latvian production or exit point to Latvian domestic consumption of consumer directly connected to the transmission system can be assigned to a network user's portfolio at the beginning of a calendar month.
- 4.10. In order to connect an exit point to Latvian domestic consumption of consumer directly connected to the transmission system or entry point from Latvian production to the network user's portfolio, the network user shall confirm the delivery request from the directly connected consumer to the transmission system of the exit point to Latvian domestic consumption or producer of entry point from Latvian production at least ten business days before the start of the month in which the network user intends to begin the injection of the gas from entry point from Latvian production, or to off-take the gas at the exit point to Latvian domestic consumption of consumer directly connected to the transmission system.
- 4.11. The removal of an attribution of entry point from Latvian production or from an exit point to Latvian domestic consumption of consumer directly connected to the transmission system to the network user portfolio can be done by submitting cancelation statement by the network user, consumer, or producer, as applicable, at least ten business days before the start of the month starting from which the network user, shall stop the injection at entry point from Latvian production or off-take at exit point to Latvian domestic consumption of consumer directly connected to the transmission system.

## 5. Capacity allocation

- 5.1. The capacity allocation mechanism specified in this Regulation applies to all entry and exit points with exception on:
  - 5.1.1. entry/exit point of Inčukalns underground gas storage facility, as governed by legal acts of Latvia applicable to the provision of third-party access services concerning storage facilities;
  - 5.1.2. exit to Estonian domestic consumption;
  - 5.1.3. exit to Latvian domestic consumption.
- 5.2. At the entry/exit point of Balticconnector the capacity is allocated by implicit capacity allocation rules in accordance with sub-paragraph 5.7 and using virtual reverse flow in accordance with sub-paragraph 6.6 of this Regulation;
- 5.3. At entry/exit points with a third country:
  - 5.3.1. entry capacity shall be allocated in accordance with sub-paragraph 5.9 of this Regulation;
  - 5.3.2. exit capacity shall be allocated by FCFS principle in accordance with sub-paragraph 5.8 of this Regulation;
  - 5.3.3. congestion management rules in accordance with section 6 of this Regulation apply;
  - 5.3.4. if the capacity to be allocated exceeds the capacity booked by the network user, it shall be considered that the network user has booked the daily capacity product at the respective entry/exit point for capacity exceeding the booked capacity for the respective gas day.
- 5.4. At the entry/exit point Kiemėnai (Lithuania-Latvia):
  - 5.4.1. capacity is offered as bundled capacity and allocated as follows:
    - 5.4.1.1. for daily and within day capacity products, the capacity is allocated based on implicit capacity allocation rules in accordance with sub-paragraph 5.7.2 of this Regulation;
    - 5.4.1.2. by FCFS principle in accordance with sub-paragraph 5.8 of this Regulation;
    - 5.4.1.3. by pro-rata principle in accordance with sub-paragraph 5.9 of this Regulation;
  - 5.4.2. congestion management rules in accordance with paragraph 6 of this Regulation apply.
  - 5.4.3. if there is more available firm capacity on Latvian side of the Kiemėnai entry/exit point than on the Lithuanian side, and in accordance with the contract between the two TSOs, the Lithuanian TSO can offer a relevant interruptible capacity product. In such cases the TSO may offer the extra capacity as an unbundled product to network users, using the FCFS principle for capacity allocation;
  - 5.4.4. if all available capacity, excluding capacity intended for implicit capacity allocation, is already booked at the Kiemėnai entry/exit point, the TSOs must offer interruptible capacity to network users. The amount of interruptible capacity offered should be at least equal to the booked capacity that is not nominated, and this offering should be done on a daily and within-day basis.
- 5.5. At entry points from Estonian production and at entry point from LNG facility:
  - 5.5.1. the capacity is allocated using the FCFS principle in accordance with sub-paragraph 5.8 of this Regulation;
  - 5.5.2. when offering and allocating capacity at entry point from Estonian production as well as the entry point from LNG facility the impact of flows arising from announced annual services schedules of regional LNG terminals (Inkoo LNG, Hamina LNG, Paldiski LNG and Klaipėda LNG) shall be considered, in the order that the annual service schedules were published.

- 5.6. At entry point from Latvian production capacity is allocated annually as standard yearly capacity product in amount of maximum capacity specified in issued technical regulations for specific entry production facility.
- 5.7. Implicit capacity allocation rules
  - 5.7.1. The capacity for network user shall be allocated by implicit capacity allocation based on the confirmed quantity that has undergone the TSO's processing of nominations and the matching process in accordance with section 8 of this Regulation.
  - 5.7.2. The capacity for network user shall be allocated by implicit capacity allocation based on the trading activities conducted at the trading platform(s) using a daily quota. The capacity allocation will be determined according to the trades concluded, as described in subparagraph 5.7.3 of this Regulation.
  - 5.7.3. Implicit capacity allocation rules via trading platform
    - 5.7.3.1. The TSOs shall offer a part of the capacity via trading platform(s) that have entered into the implicit capacity allocation service agreement with the TSOs;
    - 5.7.3.2. The implicit capacity allocation method shall be applicable to at least daily standard capacity product. If the TSO receives a request from a network user to provide other capacity products, the TSO shall offer such capacity products in cooperation with the relevant service provider and within a reasonable implementation timeframe.
    - 5.7.3.3. The TSO shall publish on its website the information regarding the trading platform(s) that offers implicit capacity allocation and the amount of capacity available for trading on trading platform(s).
    - 5.7.3.4. The amount of capacity given for implicit capacity allocation via trading platform(s) is determined based on historical data and the principle of minimizing capacity shortage, whether for implicit capacity allocation via trading platform or for implicit capacity allocation via confirmed quantity. If, on the previous day, all capacity given to trading platform(s) was fully allocated, the trading platform(s) may request a five percent increase in the given capacity. Conversely, if on the previous day, all capacity available for allocation via confirmed quantity and all capacity given to trading platform(s) was fully allocated, the amount of capacity given to the trading platform(s) is reduced by five percent.
    - 5.7.3.5. The TSO shall treat all trading platforms offering implicit capacity allocation equally.
    - 5.7.3.6. The amount of capacity given to each trading platform for implicit capacity allocation is determined through agreement between the TSO and the trading platform operator. Any change in the amount of capacity given is communicated through the TSO's respective website at least three days prior to the change.
    - 5.7.3.7. The trading platform is required to return the residual amount of capacity given for allocation by the deadline agreed between the trading platform and the TSO. For capacity at the Kiemenai entry/exit point given for implicit capacity allocation for gas day D, no part shall be returned until the end of gas day D.
    - 5.7.3.8. The TSO is responsible for coordinating all the offered capacity values given to the trading platform for implicit capacity allocation, ensuring maximum utilization of the capacity amount, by the deadline agreed between the trading platform and the TSO.
- 5.8. Capacity allocation using FCFS principle.
  - 5.8.1. Standard long-term and short-term capacity products for firm capacity and interruptible capacity (except bundled capacity) at entry/exit points where capacity allocation using the FCFS principle is applied:
  - 5.8.2. the long-term capacity product - the yearly standard capacity product, which is offered in the same amount for all gas days of one gas year starting on 1 October, except Kiemenai entry/exit point;
  - 5.8.3. the short-term capacity products:

- 5.8.3.1. quarterly standard capacity product: this capacity product is offered in the same amount for all gas days within a specific quarter. Quarter starts on 1 October, 1 January, 1 April or 1 July, respectively, except Kiemenai entry/exit point;
- 5.8.3.2. monthly standard capacity product: this capacity product is offered in the same amount for all gas days within a calendar month, starting from the first day of each month, except Kiemenai entry/exit point;
- 5.8.3.3. daily standard capacity product: this capacity product is offered on daily basis in the same amount for the entire gas day;
- 5.8.3.4. within-day standard capacity product: this capacity product is offered in the same amount from a specific start time within a particular gas day until the end of the same gas day.
- 5.8.4. Long-term capacity product allocation using FCFS principle:
  - 5.8.4.1. The network user shall submit the capacity booking application for a long-term standard capacity product three months before the beginning of the gas year. The application must be submitted by 13:00 UTC (or 12:00 UTC if daylight saving is applicable) on the day before respective gas year, in accordance with sub-paragraph 4.2 of this Regulation.
  - 5.8.4.2. Upon receiving the capacity booking application, the TSO is obliged to notify the network user within one hour to acknowledge the receipt of the capacity booking request.
  - 5.8.4.3. The TSO shall inform the network user of the allocated firm capacity no later than the next working day after the deadline for submission of the capacity booking application. This notification should be sent by 12:30 UTC (or 11:30 UTC if daylight saving is applicable) to the network user in accordance with sub-paragraph 4.2 of this Regulation.
  - 5.8.4.4. If the requested firm capacity exceeds the available capacity and the network user has not indicated the minimum acceptable quantity, the TSO shall reject the capacity booking application and immediately notify the network user in accordance with sub-paragraph 4.2 of this Regulation. If the minimum acceptable quantity indicated by network user is higher than available capacity, TSO shall reject the capacity booking application and immediately notify the network user in accordance with sub-paragraph 4.2 of this Regulation. If minimum acceptable quantity indicated by the network user is less or equal to available capacity, TSO shall allocate the available capacity.
  - 5.8.4.5. The TSO shall make the capacity allocated available to the network user not later than on the next calendar day.
  - 5.8.4.6. When notifying the network user about the long-term capacity allocated at a specific entry and exit point, the TSOs shall publish the total capacity allocated in a transparent and effective manner.
- 5.8.5. Short-term capacity product allocation using FCFS principle:
  - 5.8.5.1. The network user shall submit short-term capacity booking applications within the following periods:
    - 5.8.5.1.1. for the quarterly standard capacity product starting two gas months before the gas year, including the respective gas quarter, until 13:00 UTC on the gas day before the beginning of the respective gas quarter;
    - 5.8.5.1.2. for the monthly standard capacity product starting 20 gas days before the gas quarter, including the gas month, until 13:00 UTC on a gas day before the beginning of the respective gas month;
    - 5.8.5.1.3. for the daily standard capacity product starting fourteen (14) gas days before the gas month, including the respective gas day, until 13:00 UTC on gas day D-1;
    - 5.8.5.1.4. for the within-day standard capacity product not earlier than the confirmation deadline of nomination at 15:00 UTC (or 14:00 UTC if daylight saving is applicable) on gas day D-1 and not later than three hours before the end of gas day;

- 5.8.5.1.5. for the daily interruptible capacity product starting from 7:00 UTC (or 8:00 UTC if daylight is applicable) on gas day D-1 until 13:00 UTC on gas day D-1;
- 5.8.5.1.6. within-day interruptible capacity product starting from 15:00 UTC (or 14:00 UTC if daylight is applicable) on gas day D-1 until three (3) hours before the end of gas day.
- 5.8.5.2. Upon receiving the capacity booking request, the TSO shall notify the network user of the receipt of the request and provide the status of the received capacity booking request within one hour, in accordance with sub-paragraph 4.2 of this Regulation.
- 5.8.5.3. If the firm capacity requested by network user exceeds the available capacity and the network user has not indicated a minimum acceptable quantity, the TSO shall reject the capacity booking application and immediately notify the network user in accordance with sub-paragraph 4.2 of this Regulation. If minimum acceptable quantity indicated by network user is higher than the available capacity, the TSO shall reject the capacity booking application and immediately notify the network user in accordance with sub-paragraph 4.2 of this Regulation. If minimum acceptable quantity indicated by the network user is less or equal to the available capacity, the TSO shall allocate the available capacity.
- 5.8.5.4. The TSO shall make the capacity allocated available to the network user not later than the next calendar day.
- 5.8.5.5. When notifying the network user of the allocated short-term capacity at a specific entry and exit point, the TSOs shall publish the total capacity allocated in a transparent and effective manner.
- 5.8.6. Special conditions for interruptible capacity
  - 5.8.6.1. The TSO shall be entitled to offer interruptible capacity at the entry and exit points of the common balancing zone with a duration of more than one day if the corresponding firm monthly, quarterly or yearly capacity products have been sold out or have not been offered. The TSO shall be entitled to offer interruptible daily capacity at entry or exit points if the firm capacity for the following gas day has been sold out or has not been offered.
  - 5.8.6.2. The TSO shall publish information about interruptible capacity in accordance with sub-paragraph 4.2 of this Regulation.
  - 5.8.6.3. If the TSO deems it necessary to interrupt the provision of interruptible capacity to the network users in order to accommodate the provision of firm capacity, the interruption will be implemented by first interrupting the capacity for the network users who were the last to book interruptible capacity.
  - 5.8.6.4. The TSO shall notify network user of the capacity interruption for the allocated interruptible capacity at least 90 minutes in advance in the matching timeframe. This notification is done by providing an interruption notice to the network user in accordance with sub-paragraph 4.2 of this Regulation.
  - 5.8.6.5. The TSO has the right to modify the gas quantity requested under a nomination or re-nomination for interruptible capacity in order to manage contractual congestion.
  - 5.8.6.6. In the case of unavailability of booked capacity due to planned or unplanned unavailability of technical capacity at the Kiemenai entry/exit point, capacity shall be restricted proportionally among network users in the following order: first, interruptible capacity of the shortest period; followed by interruptible capacity of a longer period. If the capacity demand still exceeds the supply, firm capacity of a shorter period will be restricted, and if necessary, firm capacity of a longer period.
- 5.9. Capacity allocation using pro-rata principle
  - 5.9.1. The TSO shall offer standard capacity products for firm capacity at entry/exit points where the pro-rata principle is applied, referred to sub-paragraph 5.8.2, 5.8.3.1 and 5.8.3.2 of this Regulation.

- 5.9.2. The network user shall submit capacity booking applications in accordance with sub-paragraph 4.2 of this Regulation within the following periods:
- 5.9.2.1. for the yearly bundled capacity standard product, the application should be submitted starting 26 gas days before beginning of the gas year until 23 gas days before the beginning of the gas year;
- 5.9.2.2. for the quarterly bundled capacity standard products:
- 5.9.2.2.1. starting 19 gas days before the gas year including the respective gas quarter until 16 gas days before the gas year for all gas quarters in the respective gas year;
- 5.9.2.2.2. starting 45 gas days before the second gas quarter until 35 gas days day before the second gas quarter for the remaining gas quarters in the respective gas year;
- 5.9.2.2.3. starting 45 gas days before the third gas quarter until 35 gas days day before the third gas quarter for the remaining gas quarters in the respective gas year;
- 5.9.2.2.4. starting 45 gas days before the fourth gas quarter until 35 gas days day before the fourth gas quarter for the fourth gas quarter in the respective gas year.
- 5.9.2.3. for the monthly bundled capacity standard product:
- 5.9.2.3.1. starting 12 gas days before the gas year until 5 gas days before the beginning of the first gas quarter for the gas months in the first gas quarter of the respective gas year;
- 5.9.2.3.2. starting 30 gas days before the gas quarter including the gas month until 20 gas days before the beginning of the respective gas quarter for the gas months in the second, third and fourth gas quarter of the respective gas year;
- 5.9.2.3.3. starting 30 gas days before the second gas month of the gas quarter including the gas month until 20 gas days before the second gas month of the respective gas quarter;
- 5.9.2.3.4. starting 30 gas days before the third gas month of the gas quarter including the gas month until 20 gas days before the third gas month of the respective gas quarter.
- 5.9.3. After receiving the capacity booking application, the TSO shall notify the network user of receiving the capacity booking request within one hour of received request in accordance with sub-paragraph 4.2 of this Regulation.
- 5.9.4. TSO shall notify the network user of receiving the capacity booking request not later than by the next working day which follows the deadline of the submission of the capacity booking application at 12:30 UTC (or 11:30 UTC if daylight saving is applicable), and provide the status of the received request in accordance with sub-paragraph 4.2 of this Regulation.
- 5.9.5. The capacity allocation using the pro-rata principle shall be carried out by assessing the last capacity booking application submitted by the network user before the deadline for the submission of the capacity booking application for the relevant capacity product.
- 5.9.6. A network user can submit capacity booking application for the available capacity of the respective capacity product. If the capacity requested by the network user exceeds the available capacity of the respective capacity product, the capacity requested by the network user is considered equal to the available capacity.
- 5.9.7. If the capacity requested by network users' capacity booking applications for the respective capacity product does not exceed the available capacity, all requested capacity is allocated to network users according to their capacity booking applications.
- 5.9.8. If the capacity requested by network users' capacity booking applications for the respective capacity product exceeds the available capacity, capacity for each network user is allocated using the pro-rata principle.
- 5.10. Entry capacity allocation for the transit

- 5.10.1. The TSO shall allocate entry capacity for the transit as daily capacity product in accordance with the transit notification submitted by the third country TSO, provided that the corresponding exit capacity of the common balancing zone is booked by the network user requesting transit.
- 5.10.2. The third country TSO shall submit a transit notification to the TSO in writing, confirmed by the network user requesting transit, at least two weeks before the actual commencement of the transit. The transit notification shall include the following information:
  - 5.10.2.1. transit entry point;
  - 5.10.2.2. transit exit point;
  - 5.10.2.3. time period during which the transit must be provided;
  - 5.10.2.4. required transit capacity per day within the time period when transit must be provided (kWh/day);
  - 5.10.2.5. the EIC code of the network user requesting transit.
- 5.10.3. The TSO shall, not later than three working days after the submission of the transit notification, inform the network user of the allocated firm capacity and make the capacity available for the network user in accordance with sub-paragraph 4.2 of this Regulation.
- 5.10.4. Transit exit allocations can be modified by the TSO in case of mismatch between transit entry allocations and exit nominations.
- 5.10.5. The capacity allocation request for transit can be rejected in order to minimize impact on other network users and ensure the security of supply.

## 6. Management of contractual congestion

- 6.1. TSO shall apply measures for managing contractual congestion at all relevant entry and exit points where capacity booking is applied under this Regulation.
- 6.2. In order to optimize the utilization of firm capacity and enable network users to book only the necessary capacity, the TSO shall implement congestion management measures. TSO shall perform congestion management using the following measures:
  - 6.2.1. surrender of contracted capacity;
  - 6.2.2. long-term UIOLI mechanism;
  - 6.2.3. over-subscription and buy-back scheme.
- 6.3. Surrender of contracted capacity
  - 6.3.1. The network user may submit a capacity surrender application for the firm capacity that has been booked. This application must be submitted to the TSO after the capacity allocation is confirmed but not later than 08:00 UTC (or 07:00 UTC if daylight saving is applicable) on gas day D-1 in accordance with sub-paragraph 4.2 of this Regulation.
  - 6.3.2. The interruptible capacity cannot be surrendered.
  - 6.3.3. A capacity surrender request is considered as a surrender either part or the entire duration of the booked capacity. This means that partial surrender of a capacity product period is also possible.
  - 6.3.4. The TSO shall accept the surrender of firm capacity that has been booked by the network user. This acceptance applies to all firm capacity products, except within-day capacity products. The surrendered capacity from the network user portfolio is then re-allocated in order of capacity product length, starting with shorter capacity products and progressing to longer capacity products.

- 6.3.5. The TSO shall re-allocate a part, or all of the capacity offered only in case there is a contractual congestion on relevant entry or exit point.
- 6.3.6. The TSO, having received the network user's capacity surrender application shall publish information on the quantity of available capacity in the relevant the entry or exit point on the Common IT Platform.
- 6.3.7. The TSO shall re-allocate the surrendered capacity if other network user wishes to book the firm capacity at the specific entry or exit point. The surrendered capacity shall be re-allocated after the available capacity determined before the surrender of capacity has been allocated.
- 6.3.8. In case TSO receives surrender application from several network users, the TSO should re-allocate the surrendered capacity to the extent there is demand for it, in the order of receipt of capacity surrender applications.
- 6.3.9. The TSO shall notify the network user who surrendered the capacity on the reallocation of the surrendered capacity in accordance with sub-paragraph 4.2 of this Regulation.
- 6.3.10. The rights and obligations arising from the transmission service agreement shall be retained by the network user until such time and extent that any part of the capacity surrendered is reallocated by TSO.
- 6.3.11. If the TSO re-allocates the surrendered capacity in part or in full, the network user receiving the surrendered capacity shall be liable to pay for the re-allocated surrendered capacity based on applicable capacity product tariff at the time of capacity product booking by the network user surrendering the capacity. The payment obligation shall only apply to the extent of the surrendered capacity, starting from the shortest period capacity product.
- 6.3.12. Upon re-allocation of the surrendered capacity, the network user surrendering the capacity shall be released from the payment obligation for the amount of the reallocated surrendered capacity, starting from the shortest period capacity product.
- 6.3.13. The TSO shall re-allocate the surrendered capacity as available capacity, following the capacity allocation principles outlined in Section 5 of this Regulation. The network user shall refrain from taking any action that may hinder the remarketing of the capacity.
- 6.4. Long-Term UIOLI mechanism
- 6.4.1. The TSO reserves the right to enforce the transfer of yearly booked capacity on a UIOLI basis if at least one of the following circumstances applies:
- 6.4.1.1. the network user consistently uses less than 80% of its contracted capacity, on average, during both the periods from 1 April until 30 September and from 1 October until 31 March, provided that the effective agreement duration is more than one year. Furthermore, if the network user fails to provide proper justification to the TSO for this underutilization.
- 6.4.1.2. the network user at a given entry or exit point systematically nominates more than 80% of the booked capacity product and re-nominates it downwards below 80%.
- 6.4.2. If the TSO determines that the circumstances specified in sub-paragraph 6.4.1 of this Regulation are applicable, the TSO shall notify the respective network user about the underutilised capacity in accordance with sub-paragraph 4.2 of this Regulation.
- 6.4.3. Upon receiving the notification from the TSO regarding the underutilisation, the relevant network user shall, within ten calendar days, either sell the underutilised capacity on the secondary market or surrender the capacity back to the TSO.
- 6.4.4. The network user shall retain its rights and obligations under the transmission service agreement until the capacity is re-allocated by the TSO. Furthermore, these rights and obligations shall apply to the extent the capacity has not been re-allocated by the TSO.
- 6.4.5. If the network user fails to comply with the provisions stated in sub-paragraph 6.4.3 of this Regulation, the network user loses the right to use the unused part of the booked capacity.

- 6.5. Oversubscription and buy-back scheme
- 6.5.1. Upon receiving a network user's capacity booking application, and in cases of contractual congestion, the TSO shall assess the statistical data of booked and used capacity at a specific entry or exit point during the previous period. If it is determined that not all technical capacity at that point has been historically utilized, taking into account various possible scenarios of the unused capacity during the specific period, the TSO shall offer additional capacity to the market, i.e. capacity exceeding technical capacity.
- 6.5.2. When offering additional capacity, the TSO shall take into account the associated potential risks and the likelihood of repurchase of capacity in the market.
- 6.5.3. The network user shall submit additional capacity booking application for gas day D no later than by 08:00 UTC (or 07:00 UTC if daylight saving is applicable) on gas day D-1. The TSO shall calculate the additional capacity no later than 10:00 UTC (or 09:00 UTC if daylight saving is applicable) on gas day D-1. The TSO shall inform network users about the availability of additional capacity via the Common IT Platform. If the gas day D-1 falls on an official holiday or a weekend day, the network user shall submit the additional capacity booking application on the last working day preceding gas day D-1. The TSO shall calculate the additional capacity and inform network users accordingly.
- 6.5.4. If all network users intend to use 100% of the capacity booked, and the TSO is unable to accommodate the demands of the network users, the TSO shall initiate the capacity buy-back procedure, aiming to repurchase the excess capacity booked that has been booked beyond the available technical capacity from the network users in the secondary market.
- 6.5.5. The TSO is obliged to notify the network users about the quantity and price of buy-back capacity that will be redeemed for a capacity product. This notification must be provided no later than 10:00 UTC (or 09:00 UTC if daylight saving is applicable) on gas day D, in accordance with sub-paragraph 4.2 of this Regulation.
- 6.5.6. The price of the buy-back capacity must not exceed the price set for the within-day capacity on the gas day when buy-back procedure is applied, multiplied by coefficient 3.
- 6.5.7. Network users, who have booked firm capacity products for the gas day for which the buy-back procedure is applied, may offer capacity to TSO for the capacity buy-back procedure.
- 6.5.8. A network user participating in the capacity buy-back procedure shall submit offer to sell back capacity to the TSO no later than 12:00 UTC (or 11:00 UTC if daylight saving is applicable) on gas day D in accordance with sub-paragraph 4.2 of this Regulation. When submitting the offer, the network user is requested to specify the quantity and price of the capacity being offered for buy-back.
- 6.5.9. The TSO shall have the right to uphold the offer for capacity buy-back submitted by the network user, either in full or in part.
- 6.5.10. The TSO shall buy-back capacity based on the principle of the lowest price, i.e. the TSO will first repurchase the capacity with the lowest price offered by the network users.
- 6.5.11. The TSO is requested to notify the network user of its decision to consent to the buy-back of capacity and provide information about the buy-back amount no later than 14:00 UTC (or 13:00 UTC if daylight saving is applicable) of gas day D in accordance with sub-paragraph 4.2 of this Regulation.
- 6.5.12. Upon receiving the information from the TSO regarding the capacity to be bought back, the network user is required to submit a (re)nomination. This (re)nomination shall reflect a reduction in the gas volume to be transported by the amount equivalent to the capacity that has been sold back.

- 6.5.13. If, after the capacity buy-back procedure, the TSO is unable to fulfil all the approved nominations for gas day D, the TSO shall restrict application of firm standard capacity products. The restriction will be applied in the following order: first the application of the shortest standard capacity products, starting with within-day capacity, will be restricted. Then, for firm standard capacity products of the same duration, the restriction will be proportionate to the amount of nomination submitted for gas day D.
- 6.6. Virtual reverse flow
- 6.6.1. In order to increase available capacity, the TSO at entry/exit point Balticconnector in addition to technical capacity offers virtual capacity based on virtual reverse flow.
- 6.6.2. Amount of virtual capacity offered in a nomination and renomination cycles in each direction is equal to total amount of confirmed nominations in the opposite direction (excluding confirmed nominations by the trading platform).

## 7. Secondary capacity trading

- 7.1. A network user who has booked firm capacity products may bilaterally agree with another network user to transfer the right to use the firm capacity either in its entirety or a portion thereof. The secondary capacity trading is limited to the transfer of rights to use capacity at a specific entry/exit point for a specific time period. The transfer of the capacity product does not include the transfer of any obligations associated with the booked capacity, such as the obligation to make payment to the TSO for the booked capacity. These obligations shall remain with the network user intending to transfer the booked capacity product. By transferring right to use the capacity product or any part of it, the network user loses the right to surrender the transferred capacity.
- 7.2. For the purposes of congestion management, capacity obtained through secondary capacity trading is treated as daily capacity product. When allocated capacity that has been transferred through secondary capacity trading, it is allocated from the transferring network user's portfolio, starting with shorter duration capacity products and then progressing to longer duration capacity products.
- 7.3. Network users are prohibited from creating financial instruments in relation to capacity products that are sold on the secondary market.
- 7.4. The network user who transfers a booked capacity product and the network user who acquires such capacity product shall notify the TSO of the transferred capacity via the Common IT Platform. The notification should be submitted to the TSO no later than 09:00 UTC (or 08:00 UTC if daylight saving is applicable) on a gas day D-1 by and should include the following information:
- 7.4.1. entry or exit point;
  - 7.4.2. type of capacity product, as specified in sub-paragraph 5.8.2 and 5.8.3 of this Regulation;
  - 7.4.3. quantity of the transferred capacity product (kWh/d);
  - 7.4.4. start and end date of the period of use for the transferred capacity product;
  - 7.4.5. identification of both parties involved.
- 7.5. The TSO shall confirm the transfer of a booked capacity product within one hour of receiving the information from both parties involved in the transaction in accordance with sub-paragraph 4.2 of this Regulation.
- 7.6. With the TSO's confirmation of the transfer, the network user who acquired the capacity product has obtained the right to use the transferred capacity.
- 7.7. The TSO may refuse to confirm a transfer of a booked capacity product if:

- 7.7.1.information about the transfer of the capacity product is received from only one network user (one transaction party);
- 7.7.2.the information submitted by the network users does not match or is incomplete;
- 7.7.3.the quantity of the capacity product to be transferred by the network user exceeds the unused capacity of the network user transferring the capacity product.
- 7.8. The network user shall have the right to change the concluded and confirmed secondary capacity trade in the secondary capacity market by providing an updated transfer advice document to the TSO in accordance with sub-paragraph 4.2 of this Regulation.
- 7.9. In order to cancel TSO-confirmed transactions, the network user shall inform the TSO no later than 10:00 UTC (or 09:00 if daylight saving is applicable) on gas day D-1.
- 7.10. The transaction shall be deemed changed only if both network users who have previously reported on the conclusion of the transaction have informed the TSO about the update of transfer of the capacity rights. If information about the transaction change is received only from one network user, the transaction shall be deemed not changed, and the TSO shall immediately inform the counterparties thereof in accordance with sub-paragraph 4.2 of this Regulation.
- 7.11. The network user shall transfer bundled capacity to another network user only as bundled capacity.

## 8. Nomination and re-nomination

- 8.1. The network user wishing to inject or off-take a specific quantity of gas at entry or exit points shall submit a nomination or re-nomination to relevant TSO in accordance with sub-paragraph 4.2 of this Regulation under the following conditions:
  - 8.1.1.for entry and exit points referred to in sub-paragraph 5.1 of this Regulation, the nomination submitted by the network user for gas volume wished to be injected into the system are not required to match the nominations for the gas volume to be off-taken from the system, and vice versa, as gas can be purchased and exchanged at the virtual trading point of the common balancing zone;
  - 8.1.2.for entry from Inčukalns underground gas storage and exit to Inčukalns underground gas storage, nomination and re-nominations shall also be in conformity with prevailing legal acts governing access to Inčukalns underground gas storage;
  - 8.1.3.for entry and exit points where capacity booking using the FCFS principle is applied, in accordance with sub-paragraph 5.3, 5.4 and 5.5 of this Regulation, if the quantity in the nomination is bigger than the capacity product booked by the network user for the relevant gas day at all entry and exit points where capacity booking is applied, the TSO shall reject the nomination and immediately notify the network user in accordance with sub-paragraph 4.2 of this Regulation;
  - 8.1.4.for entry and exit points referred to in sub-paragraph 5.2 of this Regulation, a nomination is considered as application for implicit capacity allocation, and capacity is allocated based on the confirmed quantity.
  - 8.1.5.for entry points referred to in sub-paragraph 5.3 of this Regulation, a nomination for gas day D is equal to the quantity of gas per day specified in the transit notification in accordance with sub-paragraph 5.9.2 of this Regulation.
- 8.2. The network user shall submit nominations or re-nominations to the TSO in accordance with sub-paragraph 8.9 of this Regulation for entry/exit points listed under sub-paragraph 1.3.
- 8.3. A network user may correct the nomination by submitting a re-nomination to the TSO in accordance with sub-paragraph 8.9 of this Regulation.

- 8.4. If a network user does not submit a nomination for gas day D, the TSO shall assume that the network user's nomination is zero.
- 8.5. If the nominated exceeds the capacity product booked by the network user for the relevant gas day, the TSO shall reject nomination and notify the network user accordingly, except for the points where implicit capacity allocation is applicable.
- 8.6. If the re-nominated quantity exceeds the capacity booked by the network user for the relevant gas day, the re-nomination is considered as request for booking interruptible capacity, provided that it is available in the amount that exceeds already booked capacity.
- 8.7. The last (re)nominated and confirmed gas quantity by the TSO is taken into account in all the matching processes for that specific gas day.
- 8.8. Content of nomination and re-nomination
  - 8.8.1. When submitting a nomination or re-nomination to the TSO, the network user shall provide, at a minimum, the following information in accordance with sub-paragraph 4.2 of this Regulation:
  - 8.8.2. EIC of entry/exit point;
  - 8.8.3. direction of gas flow (inflow or outflow);
  - 8.8.4. EIC of the network user;
  - 8.8.5. EIC of the counterparty related to the network user;
  - 8.8.6. start and end time of the gas flow for which the nomination or re-nomination is submitted;
  - 8.8.7. the requested gas quantity in kWh/h to be transported during each hour of the gas day;
  - 8.8.8. gas day D to which the nomination is applicable.
- 8.9. Conditions for submission and confirmation of nomination and re-nomination
  - 8.9.1. A network user must submit the nomination for gas day D no later than 13.00 UTC winter time and 12.00 UTC daylight saving time on gas day D-1.
  - 8.9.2. A network user may submit a re-nomination during the re-nomination period, which begins immediately after the nomination confirmation deadline and ends three hours before the end of gas day D. The re-nomination cycle starts at the beginning of every hour within the re-nomination period. Renominations received between 13:00 UTC (winter time) and 12:00 UTC (daylight saving time) and 15:00 UTC (winter time) and 14:00 UTC (daylight saving time) on gas day D-1 shall be processed by the TSO as part of the first renomination cycle.
  - 8.9.3. In order to ensure optimal physical operation of transmission system, the TSO at specific entry-exit points may apply limitation of changes in renomination to past hours. During the re-nomination period, network user can only update nominations for the hours that have not yet entered the matching process, following the matching timeline specified in sub-paragraph 8.12 of this Regulation. TSO shall publish on its website information on entry – exit points to which this sub-paragraph applies.
  - 8.9.4. If a network user has submitted a nomination for gas day D within the deadline specified in sub-paragraph 8.9.1 of this Regulation, the TSO shall notify the network user of the confirmed gas quantity for gas day D no later than 15:00 UTC winter time and 14:00 UTC daylight saving time on gas day D-1, in accordance with sub-paragraph 4.2 of this Regulation, stating:
    - 8.9.4.1. confirmation status of the nomination;
    - 8.9.4.2. whether the gas quantity stated in the nomination has been reduced or rejected in accordance with sub-paragraph 8.10 of this Regulation;
    - 8.9.4.3. whether the gas quantity stated in the nomination has been reduced due to the gas quantity matching procedure at the request of the TSO or the adjacent TSO.

- 8.9.5. During the re-nomination period, a network user has the right to adjust the confirmed quantity for gas day D, provided that it has not entered the matching procedure, according to the following guidelines:
- 8.9.5.1. the network user may adjust the confirmed gas quantity of gas day D starting from 15.00 UTC during winter time and 14.00 UTC during daylight saving time on gas day D-1, until 3.00 UTC during winter time and 2.00 UTC during daylight saving time on gas day D-1;
  - 8.9.5.2. the network user may also adjust the confirmed gas quantity for the remaining hours that have not entered the matching procedure for gas day D, starting from 3.00 UTC during winter time and 2.00 UTC during daylight saving time on gas day D-1, until 2.00 UTC during winter time and 1.00 UTC during daylight saving time on gas day D;
  - 8.9.5.3. when submitting a re-nomination for the gas day, the network user can modify the daily gas quantity by specifying separate gas quantity for each remaining hour of the gas day in question.
- 8.9.6. The most recent re-nomination received from the network user before the start of the re-nomination cycle will be considered valid.
- 8.9.7. Upon receiving a re-nomination, the TSO will notify the network user within two hours from the start of the subsequent re-nomination cycle, in accordance with sub-paragraph 4.2 of this Regulation, indicating:
- 8.9.7.1. whether the submitted re-nomination has been confirmed;
  - 8.9.7.2. whether the gas quantity has been reduced or rejected as a result of the matching procedure.
- 8.9.8. The TSO will evaluate only the most recent nomination and re-nomination that have been timely submitted for the specified period and entry or exit point.
- 8.9.9. When determining whether a nomination has been submitted on time, the TSO will consider only the time of receiving the nomination and not the time of sending it.
- 8.9.10. The TSO has the authority to halt or extend the re-nomination submission cycle. In such case, the TSO will notify the relevant network users about the situation in accordance with sub-paragraph 4.2 of this Regulation.
- 8.10. Reduction and rejection of nomination and re-nomination
- 8.10.1. The TSO has the authority to reduce the nominated or re-nominated gas volume in proportion of confirmed quantity due to technical accident in the transmission system, noncompliance with the gas quality, and other reasons specified in section 12 of this Regulation.
  - 8.10.2. The TSO may reject a nomination or re-nomination, notifying the network user of receiving the nominations if any of the following condition is met:
    - 8.10.2.1. the content of the nomination or re-nomination does not meet the requirements specified in sub-paragraph 8.8.1 of this Regulation;
    - 8.10.2.2. the nomination or re-nomination is submitted by a person who is not authorised to do so under the transmission service agreement.
  - 8.10.3. The TSO is authorized to reject or reduce the nomination or re-nomination and notifying the network user during the matching confirmation process, in accordance with sub-paragraph 4.2 of this Regulation, if any of the following conditions occur:
    - 8.10.3.1. the nomination or re-nomination exceeds the quantity of capacity products allocated to the network user while considering the ramping flow change limitations. This means that the hourly flat capacity is not sufficient to allow a technical change in gas flow;
    - 8.10.3.2. accepting the re-nomination would require changing the confirmed nominations or re-nomination for hours of the gas day that have already passed;

- 8.10.3.3. the nomination has not been provided in accordance with the conditions specified in this Regulation;
- 8.10.3.4. in the event of an exceptional or emergency situation where is an evident danger to the security and stability of the gas system.
- 8.10.3.5 in the event entry/exit point Balticconnector becomes physically congested, the renominations downwards (in full, partially (pro rata) or at all) to the opposite direction if this capacity has already been booked as virtual capacity based on virtual reverse flow.
- 8.10.4. If the TSO rejects a nomination, the TSO shall use the last confirmed nomination or re-nomination submitted by the network user, if such a nomination or re-nomination exists.
- 8.11. Nomination Matching
  - 8.11.1. The TSO is responsible for conducting regular matching procedure and verifying, in coordination with the adjacent TSO, whether the gas volumes planned for entry or exit at specific point of the system, as indicated in the network user nomination, comply with the gas volumes planned for entry or exit as related to the network user's nominations.
  - 8.11.2. If the provided gas volumes indicated in the nominations do not match, the adjacent TSOs shall apply matching principles agreed upon in the cooperation arrangements for the relevant interconnection point.
  - 8.11.3. The matching rule for the Inčukalns underground gas storage facility shall be lesser rule.
  - 8.11.4. After the gas flow quantity has been matched with the adjacent TSO's storage system operator or the lesser rule has been applied, the nomination shall be considered confirmed, and the TSO shall send a notification to the network user, as specified in sub-paragraph 8.9.4. Upon confirmation of the nomination, the TSO shall inform the adjacent TSO or the storage system operator.
  - 8.11.5. Nominations made for entry points shall not include gas originating from a third country, except in case of transit as described in sub-paragraph 5.9.

## 9. Allocation

- 9.1. General provisions
  - 9.1.1. The TSO shall allocate a gas quantity to a network user for each gas day D at each entry or exit point.
  - 9.1.2. The network user's allocation shall be equal to the last confirmed quantity for that gas day D after matching the gas quantity with the adjacent TSO at physical interconnection point.
  - 9.1.3. A network user's allocation at an entry or exit point with the underground gas storage facility is determined as follows:
    - 9.1.3.1. preliminary allocation shall be equal to the last confirmed quantity of gas indicated in the nomination or re-nomination for the gas day D after matching the gas quantity with the storage system operator;
    - 9.1.3.2. final allocation shall be equal to the last confirmed quantity for that gas day D after matching the gas quantity with the storage system operator.
  - 9.1.4. Allocation to a network user at entry points from a third country or exit points to a third country shall be determined based on the following criteria:
    - 9.1.4.1. allocation to a network user with a fixed delivery agreement shall be equal to the last confirmed quantity of gas indicated in the nomination or re-nomination;

- 9.1.4.2. if there is an agreement establishing an operational balancing account between the adjacent operator or network user(s) and TSO, the allocation to the network user shall be equal to the last confirmed quantity. The difference between the nominated flow and the measured quantity shall be allocated to the operational balancing account;
- 9.1.4.3. if there is no agreement establishing an operational balancing account, TSO shall allocate the difference between the nominated flow and the measured quantity pro-rata to the nominated gas quantity of all network users proportionally, unless proven by the terms of the delivery agreement to a fixed agreement is in place for the relevant period.
- 9.1.4.4. The allocated gas quantity shall not exceed the flexibility limits specified in the network user's flexible delivery agreement.
- 9.1.4.5. Final allocation shall be completed no later than eight calendar days after the end of the reporting period (month).
- 9.1.5. Allocation to a network user at exit point to Estonian domestic consumption and exit point to Latvian domestic consumption shall be determined as follows:
  - 9.1.5.1. regarding non-daily metered off-takes:
    - 9.1.5.1.1. to determine the daily gas volume delivered, daily gas consumption data provided by forecasting party shall be used; no later than the eighth calendar day after the reporting period,
    - 9.1.5.1.2. the gas quantity shall be adjusted based on the actual quantity accounted for during the reporting period, where the distribution system operator provides such data.
  - 9.1.5.2. regarding daily metered off-takes:
    - 9.1.5.2.1. at an exit point where the consumer is directly connected to the transmission system, the allocation shall be determined based on the measured quantity;
    - 9.1.5.2.2. at an exit point where gas is delivered to the distribution system, the allocation to the network user shall be equal to the measured quantity. The measured quantity shall be determined by the TSO based on information received from the distribution system operator. The TSO shall provide information to the network user about the allocated quantity on gas day D+1;
- 9.1.6. If the network user has received an allocation for the transit, the principle set out in sub-paragraph 5.9. of this Regulation shall apply.
- 9.1.7. An entry point from Latvian production, the allocation shall be determined based on the measured quantity. Only one network user per calendar month shall be allowed injection at a single physical point of entry point from Latvian production
- 9.2. Exchange of information about allocated gas volume
  - 9.2.1. The TSO is responsible for providing the network user with daily and monthly data regarding the allocated gas volume.
  - 9.2.2. The TSO shall notify the network user about the allocation at the specific entry and exit points on gas day D. This notification shall be sent in accordance with sub-paragraph 4.2 of this Regulation no later than 13.00 UTC during the winter time or 12.00 UTC during the daylight saving on gas day D+1.
  - 9.2.3. The TSO shall notify the network user of the final monthly allocation. This notification shall be sent in accordance with sub-paragraph 4.2 of this Regulation not later than 08:00 UTC during the winter time or 07:00 UTC during the daylight saving time on the 8th calendar day after the reporting period. The notification shall include information about allocated gas volume, as well as the daily and monthly gas volume values and gross calorific value, which will be used for payment purposes.

## 10. Reconciliation

- 10.1. Gas metering data may be re-adjusted during the year in accordance with the data provided by the distribution system operator or by the TSO's adjusted data. Updated data from the distribution system operator shall be provided together with the data for the previous reporting period.
- 10.2. The difference between the preliminary metered quantity and the re-adjusted metered quantity of gas for the particular entry or exit point will determine the reconciliation quantity for that month.
- 10.3. The reconciled gas quantity is taken into account in following invoicing procedures laid down in section 13 of this Regulation.

## 11. Operations and gas entry provisions

### 11.1. Gas quality

- 11.1.1. The components and quality parameters of the gas at the entry point of the particular common balancing zone country shall correspond to the requirements set out in the applicable national legislation.
- 11.1.2. The measurement of gas quality shall be performed at all entry-exit points.
- 11.1.3. If the gas delivered to the entry point does not meet the gas quality requirements, TSO shall have the right to refuse to accept and transmit the gas.
- 11.1.4. If the gas delivered to the exit point does not meet the gas quality requirements, the network user shall have the right to refuse to accept such gas by providing the information about the measurement deviation from the required parameters as set out in national legislation.

### 11.2. Accounting of gas quantity

- 11.2.1. The TSO, in cooperation with the adjacent system operators, shall ensure the accounting of the transmitted gas at the entry and exit points and the gas metering locations. They shall record the quantity, pressure and temperature of the transmitted gas on a regular basis with a frequency requested by the respective legislation.
- 11.2.2. The TSO shall use energy units (kWh) in the gas accounts and reports.

### 11.3. Maintenance

- 11.3.1. The TSO shall publish on its website the information about the planned schedule of works to be performed on the transmission system. This includes the maintenance and repair works (hereinafter – the works) planned for the period starting from October 1st of the current year and ending on December 31st of the subsequent year, which may restrict or interrupt the capacity of the transmission system.
- 11.3.2. TSO shall publish the information about the planned works, during which gas transmission will be restricted or interrupted, no later than 42 calendar days before the start of works in advance. The TSO shall also publish information about unplanned works, during which gas transmission will be restricted or interrupted in line with Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency(REMIT).

## 12. Suspension or interruption of the transmission system services

- 12.1. The TSO has also the right to take actions that might lead to interruption of the capacity in the event of emergency incidents that are not classified as Force Majeure events. In such cases, the TSO shall make reasonable efforts and take necessary actions to ensure that continuity of the service is restored without an undue delay, aiming to minimize the impact on network users.
- 12.1.1. The TSO may interrupt the injection of gas in the transmission system or the off-take from the transmission network in the following cases:
- 12.1.1.1. the gas supply system of the customer connected directly to the transmission system poses a risk to human life, health or property;
- 12.1.1.2. the pressure of the gas input flow does not meet the requirements outlined in the cooperation agreement between gas network operators or the connection agreement between the TSO and the party connected to the transmission system;
- 12.1.1.3. an accident has occurred in the transmission system or there is an emergency situation as specified in the national law or Regulation (EU) 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010.
- 12.1.1.4. an energy crisis has been declared in the country as specified in national law;
- 12.1.1.5. there are damages in the transmission system, distribution system, LNG facility or underground gas storage facility that may result in transmission system accidents;
- 12.1.1.6. the transmission system, gas distribution system, underground gas storage facility or LNG facility has deviated from normal operation or has been damaged, and the adjacent transmission system operator, distribution system operator, storage system operator or LNG system operator has requested to immediately discontinue the transmission of gas to or from the relevant system;
- 12.1.1.7. the injection of gas at the entry points specified in paragraph 1.3 of this Regulation is interrupted due to reasons beyond the control of the TSO;
- 12.1.1.8. the functioning and safety of the transmission system is at risk due to an imbalance caused by the network user;
- 12.1.1.9. unplanned works are necessary in order to resolve or prevent an emergency situation in the transmission system or underground gas storage facility;
- 12.1.1.10. the quality indicators of the gas injected into the transmission system do not comply with the gas quality requirements;
- 12.1.1.11. the network user fails to pay for the gas transmission service on time and in accordance with the terms specified in this Regulation, or fails to provide or increase the collateral as required by Annex of the Regulation.
- 12.1.2. If the capacity of the entry point or exit point is interrupted, the TSO shall publish information about it on its website and inform the network user within 24 hours of the interruption.
- 12.2. In the event of a planned or unplanned interruption of the entry point or exit point capacity, the TSO shall not be held liable for any damage or obligated to compensate for any losses incurred by the network user, provided that the TSO has notified the network user.
- 12.3. In the event of a capacity interruption, if the TSO interrupts the provision of firm capacity, the fee for transmission services is reduced by the amount of capacity not provided by the TSO.

### 13. Invoicing and payments

- 13.1. Network users are required to make payments for the transmission system services, including the booking of capacity at entry and exit point, in accordance with the specified deadlines and procedures outlined in this Regulation. The payment must be made based on the applicable tariffs established in accordance with the procedure outlined in the TSO's national law.
- 13.2. The TSO reserves the right, as defined by its national law, to unilaterally apply the tariffs for the transmission service.
- 13.3. Network users are invoiced for capacity products based on the tariffs applicable at the time when the transmission system services are provided by the TSO, unless otherwise explicitly stated in the tariff setting decision under the national law of each TSO. The tariff-setting procedure is determined by the national law of the respective TSO.
- 13.4. This Regulation shall not cover the fee for the provision of transmission services for gas exiting to Estonian domestic consumption. Instead, the "Standardized Terms of Domestic Gas Transmission Service at Elering AS" shall apply for such exits.
- 13.5. Based on the data provided by the distribution system operator, or gas metering data at the delivery locations directly connected to the transmission system, and in accordance with the transmitted gas records, the TSO shall prepare a report on the quantity of gas transmitted for each reporting period. This report, along with an invoice, shall be submitted to the network user following the procedure specified in sub-paragraph 9.2.
- 13.6. The TSO shall issue an invoice to the network user for the transmission services provided during the reporting period. The invoice must be sent to the network user no later than the 12<sup>th</sup> calendar day following the reporting period. The invoice will include details of the allocated capacity products and the corresponding amount for the reporting period, specified in kWh.
- 13.7. The TSO shall send the invoice to the network user in accordance with sub-paragraph 4.2 of this Regulation. The invoice shall be valid without a signature and may be replaced with authorization or signed with a secure electronic signature. The date of receipt of the invoice shall be the day it is placed into the Common IT Platform.
- 13.8. All payments shall be made in euros to the TSO's account specified in the transmission service agreement.
- 13.9. The network user shall pay for the transmission system service provided during the calendar month until the payment date specified in the invoice, which shall not be less than ten (10) calendar days from issuing date of the invoice. If the due date falls on a Saturday, Sunday or national holiday of the country where the TSO has its registered office, the final deadline of invoice payment shall be the following business day.
- 13.10. All payments shall be considered made on the date when the corresponding amounts have been credited to the bank account of the party that has issued the invoice. Regardless of what is indicated in the payment order, any payments received shall be deemed to cover payments obligations in the following order: (1) interest on late payment, (2) outstanding payments for previous reporting periods, (3) current payments.
- 13.11. If the network user fails to pay for the transmission system service provided in the calendar month by the deadline specified in sub-paragraph 13.9, the TSO shall calculate late payment interest at a rate of 0.05% of the amount not paid in timely manner for each day of delay. Late payment interest shall be calculated once per month and indicated, along with other information, in the invoice for the transmission system services provided in the previous month.
- 13.12. The maximum amount of contractual penalties and default interest in the country where the TSO has its registered office shall apply.

#### **14. Creditworthiness, credit management and collaterals**

- 14.1. Upon concluding the transmission service agreement, the network user shall provide suitable appropriate collateral for the fulfilment of the network user's obligations under the transmission service agreement in accordance with the Annex to this Regulation.

#### **15. Dispute settlement and applicable law**

- 15.1. Any disputes and disagreements (referred to as “Dispute” in this section) arising in relation to the implementation of the transmission service agreement or this Regulation, as well as the application of its provisions, shall be settled through mutual negotiations in accordance with this Regulation and the applicable legal acts. If a Dispute arises, the party raising it shall submit a written notice to the other party, which should include a description of the Dispute, a suggested solution, and the authorized persons responsible for conducting negotiations regarding the Dispute on behalf of the party.
- 15.2. If a TSO and a network user are unable to resolve Dispute through negotiations within 30 business days from its occurrence (unless the authorized representatives of the parties have agreed upon a different deadline) in accordance with the procedure and cases described in the national law of the TSO, the Dispute shall be escalated to the relevant national regulatory authority for out-of-court resolution or may be directly referred to the court in the country where the TSO has its registered office.
- 15.3. The transmission service agreement and this Regulation shall be governed by, construed, and interpreted in accordance with the national law of the country where the TSO has its registered office.
- 15.4. The terms set forth in this Regulation do not exclude the parties' right to file a claim for damages in a civil court.

#### **16. Amendment and termination of the transmission service agreement**

- 16.1. The transmission service agreement may be amended with the written consent of both TSO and the network user, as long as the amendments do not contradict this Regulation.
- 16.2. This Regulation may be amended, if necessary, following public consultation and coordinated approval by the national regulatory authorities of the common balancing zone. Once an amendment becomes effective, it shall automatically apply to the transmission service agreement.
- 16.3. The TSO reserves the unilateral right to amend the transmission service agreement in situations stipulated by law. These amendments will take immediate effect when necessary to comply with applicable laws, regulations, legally binding orders from national or international courts or authorities, including but not limited to, administrative rulings and related notifications issued by the national regulatory authorities, or to comply with generally approved technical standards. The amended form of the transmission service agreement must not violate any applicable legal acts. The TSO is obligated to provide written notification to the network user of any amendments to the transmission service agreement without undue delay, prior the amendments taking effect.
- 16.4. The transmission service agreement may be terminated by mutual written agreement between the parties.

- 16.5. The party complying with the terms of the transmission service agreement may unilaterally terminate transmission service agreement by providing a written notice to the other party if the latter party commits a material or persistent breach of its obligations under transmission service agreement and that breach has not been remedied within 30 calendar days after the receipt of a written notice giving full particulars of the breach and requiring the party to remedy it.
- 16.6. The material breach of the transmission service agreement shall include the following circumstances:
  - 16.6.1. failure of the network user to make timely payment for the received transmission services;
  - 16.6.2. failure of the network user, to provide adequate collateral for the fulfilment of contractual obligations, as specified in accordance with the Annex of the Regulation.
- 16.7. In the event that the party is declared bankrupt, becomes insolvent, suspends its payments, or undergoes compulsory or voluntary liquidation, the party is entitled to terminate the transmission service agreement without prior notice.
- 16.8. Upon termination of the transmission service agreement, the TSO is required to promptly notify the trading platform operator and the distribution system operator, responsible for the distribution systems through which gas was transported under the terminated transmission service agreement.
- 16.9. The termination of the transmission service agreement does not release the parties from their obligations that arose during the validity period of the transmission service agreement.

## **17. Liability and compensation for damage**

- 17.1. The rights and obligations of the parties are laid down in this Regulation and the prevailing legal acts.
- 17.2. The network user and TSO are liable for appropriate performance of the requirements outlined in this Regulation and the obligations undertaken within the scope of the transmission service agreement. The liability of the network user and the TSO may be limited or exempted only on the grounds established in the legal acts of the country where the TSO is registered..
- 17.3. The TSO shall be only liable for fulfilment of obligations provided for in the legal acts, Regulation and transmission service agreement, in accordance with the procedure specified in the legal acts, Regulation and transmission service agreement.
- 17.4. The party failing to perform in accordance with the transmission service agreement and this Regulation shall be liable to compensation only for direct loss and loss of direct nature caused to the other party, provided there is a causal link between the fault(s) and amounts in dispute.
- 17.5. A party shall not be held liable for losses caused by the other party to any third parties. Neither party is liable for actions or inaction of third parties.
- 17.6. The network users compensate other network users, third parties, or properties for damages done through their action or inaction. Damages may not exceed the actual loss and are available only for loss, which is proven by the aggrieved party, or where the amount of damages cannot be established with a sufficient degree of certainty, assessed by the court or tribunal. Nothing in this Regulation shall limit or exclude the TSO's and network user's liability caused by the performance of its obligations under gross negligence, fraud or wilful default.

- 17.7. The TSO shall not be liable for any damage caused by malfunctioning of the Common IT Platform due to its improper use or incorrect data input actions by the network user. The network user shall indemnify and hold harmless the TSO against any potential damages incurred by the TSO or by third parties resulting from these circumstances.
- 17.8. If the quality of gas does not meet the requirements of this Regulation, the TSO may refuse to input such gas into the transmission system of the common balancing zone and suspend the transmission system services. In such case, the TSO shall not be obliged to compensate the possible losses caused to the network user through suspension of the transmission system services, whereas the network user balance responsibility remains.
- 17.9. The TSO shall not be liable to the network user for damage suffered by the network user from legal agreements with third parties, even if such legal agreements are required in order to use the transmission services provided by the TSO.

## 18. Force majeure

- 18.1. The TSO and network user shall not be held liable for the full or partial non-performance of their obligations under the transmission service agreement if it is caused by force majeure circumstances. For the purposes of this section, force majeure circumstances, shall be an obstacle that has occurred beyond the control of the TSO and network user, prevents them from performing its obligations under the transmission service agreement, and cannot be eliminated by the TSO or network user. Primarily such circumstances are catastrophes, fires, earthquakes and other natural phenomena, warfare, economic sanctions, embargoes, or any other unforeseeable circumstances at the time of entering into the transmission service agreement.
- 18.2. Individual obstacles to the performance of the transmission service agreement obligations that occur when the defaulting TSO or network user has already delayed the performance of their obligations shall not be considered force majeure circumstances. For example, a lack of funds would be considered an individual obstacle.
- 18.3. The TSO or network user invoking force majeure should strive to continue fulfilling their obligations as soon as reasonably possible, provided that it can be done without incurring unreasonable costs.
- 18.4. If force majeure circumstances persist for more than 30 calendar days, the TSO and network user shall enter into negotiations to find a suitable solution for the performance of the transmission service agreement obligations. In such a case, the termination of the transmission service agreement shall only be possible through mutual agreement between the TSO and network user.
- 18.5. The TSO and network user shall immediately notify each other of force majeure circumstances. If the party fails to provide notification to the other party of force majeure circumstances, the former party cannot refer thereto as the grounds for failure to fulfil the transmission service agreement.
- 18.6. Once the force majeure circumstances are no longer in effect, the TSO and network user shall immediately resume the performance of the obligations which they performed prior to the emergence of the force majeure circumstances, unless otherwise agreed upon the TSO and network user.
- 18.7. The parties shall make all reasonable efforts to mitigate the effects of the force majeure event or circumstance and work toward restoring normal performance of the transmission service agreement as soon as possible.

## 19. Confidentiality

- 19.1. Information about the quantity of gas transmitted to the network user, its operations on the Common IT Platform of the common balancing zone, capacity booked and distributed under the transmission service agreement, settlement for the transmission services between the TSO and the network user, as well as other information which parties have designated as commercial secret, regardless of how this information was created or processed, including regardless of the format of information (for example, written, text, audio, vocal or pictorial), shall be considered limited access information. Information set out in this sub-paragraph is protected and may not be disclosed to a third party without ensuring prior written consent by the other party, except information, which is being disclosed pursuant to the Regulation or other legal acts.
- 19.2. The parties shall use limited access information as outlined in sub-paragraph 19.1 of the Regulation solely for the performance of the transmission service agreement. The TSO is also authorized to use information received from the network user in accordance with the transmission service agreement for the purpose of fulfilling its functions set out in applicable legal acts, both for the duration of the transmission service agreement and after the termination of the transmission service agreement.
- 19.3. The duty of the parties regarding non-disclosure of limited access information set out in sub-paragraph 19.1 of the Regulation, shall survive the termination of the transmission service agreement for a period of ten years.

## 20. Processing of personal data

The parties are entitled to process personal data of natural persons received from the other party solely for the purpose of enabling performance of the transmission service agreement, subject to requirements of applicable laws and regulations, including Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (GDPR).

## 21. Closing Provisions

- 21.1. Annex specified in this Regulation shall form an integral part of this Regulation.
- 21.2. This Regulation and the transmission service agreement exist in both national language (according to the country where the TSO has its registered office) and English versions. The official language of business shall be the national and English. In case of discrepancies or inconsistencies between different language versions of this Regulation and the transmission service agreement, the English language version shall prevail.
- 21.3. Procedures, document forms, and other requirements specified in this Regulation are published on the TSO internet website.
- 21.4. If the competent state government authority declares any of the crisis levels in the natural gas sector, including energy crisis, as outlined in Regulation (EU) [2017/1938](#) of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No [994/2010](#), this Regulation shall apply insofar it does not conflict with the regulation established by the relevant competent state authorities in the event of the relevant crisis level.
- 21.5. This Regulation shall take effect on XXX 1, 2024 (*to be added after NRAs approval*).

Annex

## Rules for securing fulfilment of contractual obligations

1. During the term of the transmission service agreement the network user shall secure the fulfilment of contractual obligations by means of appropriate credit rating of the network user or collateral.
  - 1.1. Upon concluding the transmission service agreement with the Estonian TSO, the network user may simultaneously choose one or more types of collateral as follows:
    - a. security deposit or;
    - b. guarantee of a financial services provider or;
    - c. proof of appropriate credit rating.
  - 1.1. Upon concluding the transmission service agreement with the Latvian TSO, the network user may simultaneously choose one or more types of collateral as follows:
    - a. security deposit or;
    - b. guarantee of a financial services provider or;
    - c. the affiliate entity or;
    - d. proof of appropriate credit rating.
2. The collateral must be valid for the use of the transmission service.
3. The credit rating of the network user 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. In case the network user has chosen to secure the fulfilment of contractual obligations by credit rating, the network user has an obligation to immediately inform the TSO of any changes in the credit rating of the network user and the TSO shall have a right to require the network user to submit an actual information on the credit rating of the network user.
5. In case the network user has chosen to secure the fulfilment of contractual obligations by credit rating, the TSO shall be entitled to request the network user to submit collateral to cover the payment claims arising from the transmission service agreement if:
  - 5.1. the credit rating of the network user no longer meets the criteria set in paragraph 3 of this Annex;
  - 5.3. the TSO has identified that the network user is wholly or partly unable to cover the liabilities, including changed and increased risk due to the solvency of the network user, arising from the transmission service agreement;
  - 5.4. an insolvency procedure or liquidation proceedings have been initiated for the network user;
  - 5.5. the network user breaches the conditions stipulated in the transmission service agreement or the Regulation;
  - 5.6. the network user delays payments arising from the transmission service agreement, which have become due, twice over 12 months.
6. The network user shall submit collateral to the TSO within seven business days from the day of receipt of the relevant request.

7. The TSO shall recognize and deem appropriate the guarantee of a financial services provider or the affiliate entity as a proper security for duly performance of obligations if it complies with the following provisions:
  - 7.1. The guarantee has been issued by a financial services provider who or whose group has at least the following rating for long-term foreign currency loans:
    - 7.1.1. Baa1 in accordance with Moody's agency, or
    - 7.1.2. BBB+ in accordance with Standard & Poor's agency, or
    - 7.1.3. BBB+ in accordance with Fitch Ratings agency;
  - 7.2. the guarantee has been issued by an affiliate entity, which credit rating corresponds to paragraph 3 of this Annex;
  - 7.3. the guarantee shall be first demand and irrevocable.
8. The TSO shall determine the collateral amount for securing the fulfilment of contractual obligations under the transmission service agreement based on either the forecasted service fee for the next month under the transmission service agreement or double the amount of the average monthly payment by the network user for capacity over the last 12 months, whichever is higher. If the period of transmission service usage is shorter than 12 months, that period shall be used as the basis for determination of the collateral amount. The collateral amount shall not be less than EUR 30 000.
9. In case the network user secures the fulfilment of contractual obligations by collateral, the TSO shall have the right to completely discontinue the transmission service provision as set in the Regulation until the moment the network user submits a new collateral or increases, or restores the amount of the existing collateral so that it complies with the provisions of this Annex, if network user fails:
  - 9.1. to submit the collateral within the deadline specified in paragraph 6 of this Annex;
  - 9.2. to increase the amount of the collateral and submit a new collateral within the deadline specified in paragraph 10 of this Annex;
  - 9.3. to restore the collateral within the deadline specified in paragraph 11 of this Annex.
10. If liabilities of the network user within the framework of the transmission service agreement exceed the sum for which the collateral has been issued in accordance with paragraph 8 of this Annex, the TSO has the right to request the network user to increase the amount of the collateral and submit a new collateral to the TSO within seven business days which complies with the provisions of this Annex.
11. The TSO shall be entitled to use collateral to cover liabilities of network user towards TSO if network user has failed to pay the invoice within 40 days for transmission system services provided. After using the collateral, the TSO shall request the network user to restore the amount of the collateral within seven business days.
12. During discontinuation period of the provision of transmission system services as foreseen in paragraph 9 of this Annex, 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 collateral 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.