

Elering AS Transmission System Operator

AS Conexus Baltic Grid Transmission System Operator

COMMON REGULATIONS FOR THE USE OF NATURAL GAS TRANSMISSION SYSTEM

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1 General provisions

- 1.1 This Regulation sets out the rights and obligations and the information exchange procedure between the natural gas (hereinafter – gas) transmission system operators of Estonia and Latvia (hereinafter - the TSO and, where appropriate, jointly TSOs) and the gas transmission network users (hereinafter - network user) in relation to the use of the gas transmission systems (hereinafter – transmission system), capacity booking, nominations and allocation in the common balancing zones consisting of Estonia and Latvia.
- 1.2 The Regulation shall apply:
 - 1.2.1 to both transmission systems in the territory of Estonia and Latvia;
 - 1.2.2 to all network users that have concluded a legally binding balancing agreement and the transmission service agreement with any TSO in the common balancing zone;
 - 1.2.3 in a non-discriminatory way to any type of gas in so far as such gas can technically and safely be injected into, and transported through the transmission systems of the common balancing zone in accordance with the applicable relevant national technical rules and safety standards, provided that such gas complies with the applicable gas quality requirements.
- 1.3 The entry/exit points regulated under these Regulation, where the gas can be input or off-taken from the common balancing zone are:
 - 1.3.1 entry/exit Värskä (Russia-Estonia);
 - 1.3.2 entry/exit Izborsk (Russia-Estonia);
 - 1.3.3 entry/exit Narva (Russia-Estonia).
 - 1.3.4 entry/exit Balticconnector (Estonia-Finland);
 - 1.3.5 entry/exit Kiemėnai (Lithuania-Latvia);
 - 1.3.6 entry/exit Inčukalns underground gas storage facility (Latvia);
 - 1.3.7 exit to Estonian domestic consumption;
 - 1.3.8 exit to Latvian domestic consumption;
 - 1.3.9 entry from Estonian production;
 - 1.3.10 entry from Latvian production;
 - 1.3.11 entry/exit liquefied natural gas (hereinafter – LNG) facility.
- 1.4 The network user shall, when contacting the TSO in the cases provided for in the Regulation, submit information and documents to the TSO either in English or the national language of the country where the TSO has its registered office. The information and documents laid down in the Regulation and sent electronically shall be signed with a secure electronic signature, unless the TSO and the network user agree otherwise.
- 1.5 The transmission service agreement and any amendments contained therein shall be consistent with the Regulation.
- 1.6 The terms used in the Regulation shall have same meaning as in European Union legislation.

2 Definitions

- 2.1 **Additional capacity** means 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 person who submits an application to the TSO to acquire the rights to use the transmission system of the common balancing zone.
- 2.3 **Biomethane** means the biogas which has been upgraded with a view to meeting the quality

specifications for gas injected to the transmission system.

- 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.
- 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 these Regulation apply.
- 2.7 **Connection agreement** means the agreement between the connected party and the TSO concerning the connected party's connection to the transmission system.
- 2.8 **Counterparty** within the meaning of these Regulation means a natural or legal person making use of an adjacent transmission entry-exit system or of LNG terminal facilities, supplying gas to the network user at the entry and exit points of the transmission system, or the network user delivers gas to him.
- 2.9 **Capacity booking** means the procedure of online booking of transmission capacity using the standard communication protocol.
- 2.10 **Energy identification code** (hereinafter - the EIC) means the identification code assigned to market participants in accordance of the Energy Identification Coding scheme.
- 2.11 **Entry capacity** means the available transmission system capacity at a given entry point.
- 2.12 **Entry point** means a physical or virtual point where gas is delivered to the transmission system, and where the transmission of gas through the transmission system begin.
- 2.13 **Exit capacity** means the available transmission system capacity at a given exit point.
- 2.14 **Exit point** means a physical point where the gas transmission ends and gas is supplied to the adjacent transmission system, distribution system or to the consumption site directly connected to the transmission system. If the distribution system is connected to the transmission system in several points of the transmission system, then all connection points shall be considered as a single exit point.
- 2.15 **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.
- 2.16 **Fixed delivery agreement** means type of gas sale - purchase agreement where gas is supplied in accordance to in advance arranged delivery schedule.
- 2.17 **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.
- 2.18 **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.
- 2.19 **Gas quarter** – 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 period of winter time from 4:00 to 4:00 UTC when daylight saving is applied.
- 2.20 **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 period of winter time from 4:00 to 4:00 UTC when daylight saving is applied.
- 2.21 **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.
- 2.22 **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.
- 2.23 **Network user** within the meaning of these Regulation means a person who has concluded a transmission service agreement and uses the transmission system service in the common balancing zone.
- 2.24 **Production** within the meaning of these Regulation means gas injected into a transmission system by the gas producer from the production installation that uses renewable energy sources or fossil energy sources.
- 2.25 **Re-nomination** means the subsequent reporting of a changed nomination.
- 2.26 **Reporting period** means the time period of one month.
- 2.27 **Standard communication protocol** means the format of information exchange between the TSO and the network user according to EDIG@S standard.
- 2.28 **Standard information exchange user guide** means a document regarding details and principles of information exchange between network user and TSO available on the TSO website.
- 2.29 **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.
- 2.30 **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.

3 Procedure for the conclusion of transmission service agreement

- 3.1 In order to receive a right to use the transmission systems in the common balancing zone the applicant shall submit to the TSO, with whom the balancing agreement has been concluded, application for the conclusion of transmission service agreement electronically and in accordance with the application form provided on the website of TSO. Along with the application applicant shall provide the following data and documents:
- 3.1.1 contact details of the representative(s) having the right to assume obligations on behalf of the applicant (including full name, title, phone number, e-mail address), and documents proving the right of the representative(s) to act on behalf of the applicant;
- 3.1.2 a proof of representation, if the application is submitted by an authorised representative of the applicant;
- 3.1.3 a document attesting that the applicant has registered its commercial activity according to the laws and regulations of the relevant country;
- 3.1.4 a document attesting that an insolvency procedure of the applicant has not been announced, the economic activity of the applicant is not suspended, or the applicant is not liquidated, and issued not later than one month prior to the day of submitting the application;
- 3.1.5 information about the applicant's credit rating granted by a commonly known credit or rating agency (not required if it is planned to provide a collateral pursuant to section 13 of the Regulation);
- 3.1.6 at the TSO's request the annual report for the previous three years (or the actual operation period, taking into account the time of founding or beginning of operation of the applicant on which the annual report is to be submitted) or an equivalent document proving the economic and financial situation of the applicant according to the laws and regulations of the relevant country;
- 3.2 After the submission of the application in case of changes in the data or documents of the applicant, the applicant no longer than within three business days, shall notify the TSO thereof.

- 3.3 The TSO shall evaluate the application referred to in sub-paragraph 3.1. of the Regulation, the documents appended thereto within 10 business days from the date of receipt thereof. The TSO may request the applicant to submit the missing documents and additional information.
- 3.4 If the TSO has requested the applicant to submit additional information or documents, the applicant shall submit such within ten 10 business days from the date of dispatch of the request. If the applicant does not submit the requested additional information or documents within deadline specified in this section, the applicant shall be deemed to have withdrawn its application.
- 3.5 If the applicant has submitted to the TSO all documents and additional information referred to in sub-paragraph 3.1. of the Regulation, the TSO shall within five business days from the receipt of the documents and additional information prepare the transmission service agreement and shall send it to the applicant electronically.
- 3.6 The applicant shall return to the TSO a signed transmission service agreement electronically, or in two copies in case of the transmission service agreement signed in a written form, within 10 business days from the day of dispatch of the transmission service agreement. If the applicant does not return to the TSO a signed transmission service agreement within 15 business days from the day of dispatch of the transmission service agreement, the applicant shall be deemed to have withdrawn its application.
- 3.7 The TSO shall, within three business days from the day of receipt of the transmission service agreement, signed by the applicant, sign the transmission service agreement and send one copy thereof to the applicant.
- 3.8 The TSO shall notify the applicant of refusal to conclude the transmission service agreement within one business day after the review of the application by sending a notice to the electronic mail address indicated in the application. 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.

4 Capacity allocation

- 4.1 Capacity allocation mechanism laid down in the Regulation shall apply at all entry and exit points with exception on:
 - 4.1.1 entry/exit point to Inčukalns underground gas storage facility, as governed by legal acts of Latvia applicable to the provision of third-party access services concerning storage facilities;
 - 4.1.2 exit to Estonian Domestic consumption;
 - 4.1.3 exit to Latvian Domestic consumption.
- 4.2 At entry/exit point Balticconnector:
 - 4.2.1 capacity is allocated:
 - 4.2.1.1 by implicit capacity allocation rules in accordance with sub-paragraph 4.6.2. of the Regulation;
 - 4.2.1.2 by implicit capacity allocation rules by the TSO in accordance with under sub-paragraph 4.6.1. of the Regulation.
- 4.3 At entry/exit points with third countries:
 - 4.3.1 capacity is allocated by FCFS principle in accordance with sub-paragraph 4.7. of the Regulation;
 - 4.3.2 congestion management rules in accordance with paragraph 5 of the Regulation apply.
- 4.4 At entry/exit point Kiemenai (Lithuania-Latvia):
 - 4.4.1 capacity is allocated:
 - 4.4.1.1 by implicit capacity allocation rules in accordance with sub-paragraph 4.6.2. of the Regulation;
 - 4.4.1.2 by FCFS principle in accordance with sub-paragraph 4.7. of the Regulation;

- 4.4.2 congestion management rules in accordance with paragraph 5 of the Regulation apply.
- 4.5 At entry points from Estonian and Latvian production and at entry/exit to LNG facility
- 4.5.1 capacity is allocated by FCFS principle in accordance with sub-paragraph 4.7. of the Regulation.
- 4.6 Implicit capacity allocation rules
- 4.6.1 Network user shall implicitly be allocated with the capacity on the basis of confirmed quantity which has gone through the TSO's processing of nominations and the matching process in accordance with section 7 of the Regulation.
- 4.6.2 Network user shall implicitly be allocated with the capacity on the basis of trading at the trading platform(s) using daily quota to implicitly allocate the capacity according to the concluded trades, as described in sub-paragraph 4.6.3. of the Regulation.
- 4.6.3 Implicit capacity allocation rules via trading platform
- 4.6.3.1 TSOs shall offered part of the capacity via trading platform(s) that have signed the respective implicit capacity allocation service agreement with the TSOs;
- 4.6.3.2 The implicit capacity allocation method shall be applicable to at least daily standard capacity product. The TSO shall offer other capacity products if the TSO has received a request of the network user to provide such capacity products. Such capacity products shall be offered in cooperation with the relevant service provider and within reasonable implementation time.
- 4.6.3.3 The following information shall be published on TSO's respective website:
- 4.6.3.4 trading platform(s) offering implicit capacity allocation;
- 4.6.3.5 the amount of capacity given for trading at trading platform(s).
- 4.6.3.6 The amount of capacity given for implicit capacity allocation via trading platform(s) is determined based on historical data and on the principle of minimizing capacity shortage either for implicit capacity allocation via trading platform or for implicit capacity allocation via confirmed quantity. In case on previous day all capacity given to trading platform(s) was allocated, the trading platform(s) may request amount of capacity to be increased by five per cent. In case on previous day all capacity available for allocation by confirmed quantity was allocated and all capacity given to trading platform(s) was allocated, the amount of capacity given for trading platform(s) is reduced by five per cent.
- 4.6.3.7 TSO shall treat all trading platforms offering implicit capacity allocation equally.
- 4.6.3.8 Amount of capacity given to each respective trading platform for implicit capacity allocation is agreed between TSO and trading platform operator and any change in the amount of capacity given is communicated via TSO respective website at least three days prior to the change.
- 4.6.3.9 The residual amount of capacity given for allocation shall be surrendered by trading platform by the deadline agreed between trading platform and TSO.
- 4.6.3.10 TSO shall coordinate all of the offered capacity values given to trading platform for implicit capacity allocation by the deadline agreed between trading platform and TSO in order to maximize the capacity amount.
- 4.7 Capacity allocation using FCFS principle
- 4.7.1 Following standard capacity products for firm and interruptible capacity can be offered by TSO:
 - 4.7.1.1 the long-term capacity product - yearly standard capacity product is the capacity offered in the same amount for all gas days of one gas year starting on 1 October;
 - 4.7.1.2 the short-term capacity products:
 - 4.7.1.3 quarterly standard capacity product is the capacity offered in the same amount for all gas days in a particular quarter starting from 1 October, from 1 January, from 1 April or from 1 July, respectively;
 - 4.7.1.4 monthly standard capacity product is the capacity offered in the same amount for all gas days in

- a calendar month starting on the first day of each month;
- 4.7.1.5 daily standard capacity product is the capacity offered on day ahead basis in the same amount for a whole gas day;
- 4.7.1.6 within-day standard capacity product is the capacity offered in the same amount from a start time within a particular gas day until the end of the same gas day.
- 4.7.2 The capacity products shall be expressed and allocated in units of energy per unit of time - kWh/day.
- 4.7.3 Network users, which deliver gas to or from the transmission system of the common balancing zone, must book corresponding entry or exit capacity at the entry or exit points.
- 4.7.4 Long-term capacity product allocation using FCFS principle
 - 4.7.4.1 The network user shall submit the capacity booking application for a long-term standard capacity product three months before beginning of the gas year until 13:00 UTC (or 12:00 UTC if daylight saving is applicable) on a day before respective gas year in conformity with the standard information exchange user guide.
 - 4.7.4.2 After receiving the capacity booking application, the TSO shall notify the network user of receiving the capacity booking request in one hour and the status of received request in conformity with the standard communications protocol.
 - 4.7.4.3 TSO shall, not later than by the next working day which follows the day of the submission of the capacity booking application at 12:30 UTC (or 11:30 UTC if daylight saving is applicable), inform the network user of the allocated firm capacity in conformity with the standard communications protocol.
 - 4.7.4.4 If the firm capacity requested by network user 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 conformity with the standard communications protocol. If 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 conformity with the standard communications protocol. If minimum acceptable quantity indicated by the network user is less or equal to available capacity, TSO shall allocate the available capacity.
 - 4.7.4.5 The TSO shall make the capacity allocated available for network user not later than on next calendar day.
 - 4.7.4.6 When notifying the network user of the long-term capacity allocated at a given entry and exit point, the TSOs shall publish total capacity allocated in line with standard information exchange user guide provided to the network users in a transparent and effective manner.
- 4.7.5 Short-term capacity product allocation using FCFS principle
 - 4.7.5.1 The network user shall submit short-term capacity booking applications within the following periods:

- a) for the quarterly standard capacity product starting two gas months before gas year including respective gas quarter until 13:00 UTC on a gas day before respective gas quarter;
 - b) 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;
 - c) for the day-ahead standard capacity product starting 14 gas days before the gas month including respective gas day until 13:00 UTC on gas day D-1;
 - d) for the within-day standard capacity product not earlier than conformation deadline of nomination 15:00 UTC (or 14:00 UTC if daylight saving is applicable) and not later than three hours before the end of gas day;
 - e) within-day interruptible capacity product can also be booked by submitting re-nomination from 15:00 UTC (or 14:00 UTC if daylight is applicable on gas day D-1 until three hours before the end of gas day.
- 4.7.5.2 The TSO shall notify the network user of receiving the capacity booking request and the status of receiving the capacity booking request in one hour in conformity with the standard communications protocol.
- 4.7.5.3 If the firm capacity requested by network user 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 conformity with the standard communications protocol. If 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 conformity with the standard communications protocol. If minimum acceptable quantity indicated by the network user is less or equal to available capacity, TSO shall allocate the available capacity.
- 4.7.5.4 TSO shall make the capacity allocated available for network user not later than on next calendar day.
- 4.7.5.5 When notifying the network user of the short-term capacity allocated at a given entry and exit point, the TSOs shall publish total capacity allocated in line with standard information exchange user guide provided to the network users in a transparent and effective manner.
- 4.7.6 Special conditions for interruptible capacity
- 4.7.6.1 The TSO shall be entitled to offer interruptible capacity at the common balancing zone entry and exit points with a term of more than one day if the corresponding firm monthly, quarterly or yearly capacity products for firm capacity have been sold out or have not been offered. The TSO shall be entitled to offer interruptible day-ahead capacity at entry or exit points if the firm capacity for the following gas day has been sold out or has not been offered.
- 4.7.6.2 The TSO shall make interruptible capacity offered available for the booking in the timeframe of the firm capacity booking or given for over-nomination. The TSO shall publish information about interruptible capacity in line with standard information exchange user guide.
- 4.7.6.3 If the TSO finds necessary to interrupt the provision of interruptible capacity products to the network users to the extent required for the provision of firm capacity, it shall do so by first interrupting the capacity for the network users who were the last to book interruptible capacity.
- 4.7.6.4 TSO shall notify network user of the capacity interruption of the allocated interruptible capacity at least 90 minutes in advance in the matching timeframe by providing the interruption notice to the network user in conformity with the standard communications protocol.
- 4.7.6.5 TSO shall have a right to amend gas quantity requested under a nomination or re-nomination for interruptible capacity in order to manage contractual congestion.

5 Management of contractual congestion

- 5.1 TSO shall apply measures of contractual congestion management at all the relevant entry and exit points where capacity booking is applied under the Regulation.
- 5.2 In order to use firm capacity efficiently and to facilitate conditions for network users to book only necessary capacity, when the demand for capacity exceeds the offer, the TSO shall perform measures of congestion management. TSO shall perform congestion management using the following measures:
 - 5.2.1 surrender of contracted capacity;
 - 5.2.2 long-term UIOLI mechanism;
 - 5.2.3 over-subscription and buy-back scheme.
- 5.3 Surrender of contracted capacity
 - 5.3.1 The network user may submit capacity surrender application for the booked firm capacity 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.
 - 5.3.2 Capacity surrender request is considered as a surrender for the part or the whole product period in the surrendered amount, meaning also partial product period surrendering is possible.
 - 5.3.3 TSO shall accept surrender of firm capacity booked by the network user which is longer than day-ahead capacity products (monthly, quarterly, yearly).
 - 5.3.4 The TSO shall reallocate a part or all of the capacity offered only in case there is a contractual congestion on relevant entry or exit point.
 - 5.3.5 The TSO, having received the network user's capacity surrender application regarding the booked firm capacity in case there is a contractual congestion on entry or exit point, shall publish information on the quantity of capacity and the entry or exit point where capacity is surrendered in line with standard information exchange user guide.
 - 5.3.6 The TSO shall 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 allocated after the available capacity determined before the surrender of capacity has been allocated in conformity with the standard communications protocol.
 - 5.3.7 In case TSO receive surrender application from several network users, the TSO should reallocate the surrendered capacity to the extent there is demand for it, in the order of receipt of capacity surrender applications.
 - 5.3.8 The TSO shall notify the network user who surrendered capacity of the reallocation of the surrendered capacity to another network user pursuant to the allocation in conformity with the standard communications protocol.
 - 5.3.9 The network user shall retain its rights and obligations in relation to the surrendered capacity until the TSO has reallocated it in full or in part to another network user. The network user shall be released from the obligation to pay for the reallocated capacity to the extent the TSO has received payment from another network user for the surrendered capacity.
 - 5.3.10 The TSO shall allocate the surrendered capacity as the available capacity pursuant to the capacity allocation principles laid out in section 4 of the Regulation. In addition, network user shall refrain from any action hindering capacity re-marketing.
- 5.4 Long-Term UIOLI mechanism
 - 5.4.1 The TSO has the right to enforce the transfer of yearly booked capacity on a UIOLI basis, if at least one of the following circumstances applies:

- 5.4.1.1. the network user uses less than 80% on average of its contracted capacity both from 1 April until 30 September and from 1 October until 31 March with an effective agreement duration of more than one year and has failed to provide proper justification to TSO;
- 5.4.1.2. 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%.
- 5.4.2 If the TSO finds that the circumstances laid down in sub-paragraph 5.4.1 of these Regulation apply, the TSO shall notify the relevant network user about the underutilisation in conformity with the standard communications protocol.
- 5.4.3 Relevant network user after notification from TSO about the underutilisation shall within 10 calendar days sell the underutilised capacity on the secondary market or surrender the capacity to the TSO.
- 5.4.4 The network user shall retain its rights and obligations under the transmission service agreement until the capacity is reallocated by the TSO and to the extent the capacity is not reallocated by the TSO.
- 5.4.5 In the case of network user has not conformed with sub-paragraph 5.4.3 of the Regulation the network user loses the unused part of booked capacity.
- 5.5 Oversubscription and buy-back scheme
- 5.5.1 Having received a network user's capacity booking application and in cases of contractual congestion, the TSO having assessed statistical data of booked and used capacity at a certain entry or exit point during the previous period, and having established that not all technical capacity at that point are historically exploited, and having regard to the possible scenarios of the unused amount of capacity at a given point during the specific period, shall offer to the market additional capacity, i.e. capacity exceeding technical capacity.
- 5.5.2 By offering additional capacity, the TSO shall take into account the associated potential risks and the likelihood of repurchase of capacity in the market.
- 5.5.3 The network user shall submit to TSO 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 additional capacity no later than by 10:00 UTC (or 09:00 UTC if daylight saving is applicable) on gas day D-1 and inform network users about additional capacity in line with standard information exchange user guide. If gas day D-1 is an official holiday or a weekend day, the network user shall submit an additional capacity booking application, and the TSO shall calculate additional capacity and inform network users thereof on the last working day preceding gas day D-1.
- 5.5.4 In a situation where all network users wish to use 100% of the capacity booked; and the TSO is unable to meet the needs of network users, the TSO shall apply the capacity buy-back procedure aiming to repurchase the amount of capacity booked exceeding technical capacity from the network users in the secondary market.
- 5.5.5 The TSO shall inform the network users about the quantity and price of buy-back capacity to be redeemed for a capacity product no later than by 10:00 UTC (or 09:00 UTC if daylight saving is applicable) on gas day D in line with standard information exchange user guide.
- 5.5.6 The price of buy-back of capacity may not be higher than the price set for the within-day capacity for gas day when buy-back procedure is applied, multiplied by coefficient 3.
- 5.5.7 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.
- 5.5.8 Network user taking part in capacity buy-back procedure shall submit its offer to sell back capacity to TSO no later than by 12:00 UTC (or 11:00 UTC if daylight saving is applicable) on gas day D

in conformity with the standard communications protocol. When submitting an offer to sell back capacity, the network user shall indicate the quantity and the price of capacity offered for buy-back.

- 5.5.9 The TSO shall have the right to uphold the offer for capacity buy-back submitted by the network user in full or in part.
- 5.5.10 The TSO shall buy back capacity pursuant to the principle of the lowest price, i.e. first buying back capacity with the lowest price offered.
- 5.5.11 The TSO shall inform the network user about its consent to buy-back capacity and the buy-back amount no later than by 14:00 UTC (or 13:00 UTC if daylight saving is applicable) of gas day D in conformity with the standard communications protocol.
- 5.5.12 Having received from the TSO information about capacity to be bought back, the network user shall submit the (re)nomination, reducing gas volume to be transported by the amount of the capacity sold.
- 5.5.13 If TSO after the capacity buy-back procedure cannot fulfil all nominations approved for gas day D, the TSO shall restrict application of firm standard capacity products. The application of the shortest standard capacity products (starting with within-day capacity) shall be restricted first. The application of firm standard capacity products of the same duration shall be restricted in proportion to the amount of nomination submitted for day D.

6 Secondary capacity trading

- 6.1 A network user who has booked the capacity products may agree with another network user and transfer right to use the capacity product or part of it. Secondary capacity trading shall be restricted to transfer of rights to use capacity of an entry/exit point for a specific time period. Obligations arising from the booked capacity product, including, but not limited to, obligation to pay the TSO for the booked capacity product, shall not be transferred and shall remain with the network user intending to transfer the booked capacity product.
- 6.2 Network users are not allowed to create financial instruments in connection with capacity products sold on the secondary market.
- 6.3 The network users agree on a capacity transfer and its conditions in advance bilaterally.
- 6.4 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 in accordance with the standard communications protocol no later than 09:00 UTC (or 08:00 UTC if daylight saving is applicable) on a gas day D-1 by submitting to the TSO the following information:
 - 6.4.1 the entry or exit point;
 - 6.4.2 type of capacity product in conformity with sub-paragraph 4.8.1. of the Regulation;
 - 6.4.3 the quantity of the transferred capacity product (kWh/d);
 - 6.4.4 the start and end date of the period of use of the transferred capacity product;
 - 6.4.5 the identification of both parties.
- 6.5 The TSO shall confirm a transfer of a booked capacity product within one hour after receiving the information from both transaction parties in conformity with the standard communications protocol.
- 6.6 With the TSO's confirmation of the transfer, the network user has acquired the right to use the transferred capacity product.
- 6.7 The TSO may refuse to confirm a transfer of a booked capacity product if:
 - 6.7.1 information about the transfer of the capacity product is received only from one network user (one transaction party);

- 6.7.2 the information submitted by the network users does not match or is incomplete;
- 6.7.3 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.
- 6.8 Network user shall have the right to change the concluded and confirmed secondary capacity trade in the secondary capacity market by providing update of the transfer advice document to TSO in conformity with the standard communications protocol.
- 6.9 In order to cancel the 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.
- 6.10 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 conformity with the standard communications protocol.

7 Nomination and re-nomination

- 7.1 Network user wishing to input or off-take a specific quantity of gas from the transmission system at entry or exit points shall submit nomination or re-nomination to the TSO in conformity with the standard communications protocol under the following conditions:
 - 7.1.1 For entry and exit points referred to in sub-paragraph 4.1. of the Regulation nomination submitted by network user for gas volume wished to input into the system are not required to match nominations for gas volume to be off-taken from the system, and vice versa, as gas can be purchased and sold inside the common balancing zone at the virtual trading point;
 - 7.1.2 for entry from Inčukalns underground gas storage and exit to Inčukalns underground gas storage, nomination and renominations must also be in conformity with prevailing legal acts governing access to Inčukalns underground gas storage.
 - 7.1.3 For entry and exit points where capacity booking using FCFS principle is applied, in accordance with sub-paragraph 4.3., 4.4. and 4.5. of the Regulation:
 - 7.1.3.1 if quantity in nomination is bigger than capacity product booked by network user for relevant gas day in all entry and exit points where capacity booking is applied, the TSO shall reject the nomination and immediately notify the network user in conformity with the standard communication protocol;
 - 7.1.3.2 in the re-nomination timeframe in accordance with sub-paragraph 7.9. of the Regulation, the over-nomination quantity for gas day D shall be considered as interruptible capacity booking application for additional interruptible within-day capacity product;
 - 7.1.3.3 if there is no available within-day capacity for relevant gas day, TSO shall reject re-nomination and, shall not grant additional capacity to network user. Network user shall be informed about possibility to book interruptible capacity if available.
 - 7.1.4 For entry and exit points referred to in sub-paragraph 4.2. of the Regulation:
 - 7.1.4.1 nomination is considered as application for implicit capacity allocation and capacity is allocated based on confirmed quantity.
- 7.2 Network user shall submit nominations or re-nominations to TSO in accordance with sub-paragraph 7.9 of the Regulation for entry/exit points listed under sub-paragraph 1.4.
- 7.3 A network user may correct the nomination by submitting to the TSO a re-nomination in accordance with sub-paragraph 7.9 of the Regulation.
- 7.4 If a network user does not submit a nomination for gas day D, the TSO shall assume that the network user's nomination equals zero.

- 7.5 If nominated quantity is larger than capacity product booked by network user for relevant gas day, the TSO shall reject nomination and notify network user thereof, with exemption on the points where implicit capacity allocation is applicable.
- 7.6 If re-nominated quantity is larger than capacity booked by network user for relevant gas day, re-nomination is considered as capacity booking request for interruptible capacity if it is available in the amount that the re-nomination exceeds the capacity already booked.
- 7.7 The last (re)nominated and confirmed gas quantity by TSO is taken into account in all the matching processes for that specific gas day.
- 7.8 Content of nomination and re-nomination
 - 7.8.1 Submitting nomination or re-nomination to the TSO, the network user shall provide at least the following information in standard communication protocol:
 - 7.8.1.1 EIC of entry/exit point;
 - 7.8.1.2 direction of gas flow;
 - 7.8.1.3 EIC of the network user;
 - 7.8.1.4 EIC of the counterparty related to network user;
 - 7.8.1.5 start and end time of the gas flow for which the nomination or re-nomination is submitted;
 - 7.8.1.6 the gas quantity in kWh/h requested to be transported during each hour of the gas day;
 - 7.8.1.7 gas day D for which the nomination is applicable.
 - 7.9 Conditions for submission and confirmation of nomination and re-nomination
 - 7.9.1 A network user may 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.
 - 7.9.2 A network user may submit a re-nomination at any re-nomination period which shall begin immediately after the end of the nomination confirmation deadline and shall end three hours before the end of gas day D. The re-nomination cycle shall start at the start of every hour within the re-nomination period.
 - 7.9.3 During the re-nomination period network user can only update nominations for the hours that have not entered the matching process in accordance to the matching timeline laid down in sub-paragraph 7.11. of the Regulation.
 - 7.9.4 If a network user has submitted nomination for gas day D within the deadline laid down in sub-paragraph 7.11. of the Regulation, the TSO shall notify the network user of the gas quantity confirmed 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 conformity with the standard information exchange user guide, stating:
 - 7.9.4.1 whether the nomination is confirmed;
 - 7.9.4.2 whether the gas quantity indicated in the nomination has been reduced or rejected in accordance with sub-paragraph 7.10 of the Regulation;
 - 7.9.4.3 whether the gas quantity indicated in the nomination is reduced due to the procedure of gas quantity matching at the request of the TSO or the adjacent TSO.
 - 7.9.5 During the re-nomination period, a network user shall be entitled to adjust the confirmed quantity for gas day D that have not entered matching procedure pursuant to the following:
 - 7.9.5.1 the network user may adjust the confirmed quantity of gas day D from 15.00 UTC winter time and 14.00 UTC daylight saving time on gas day D-1 and until 3.00 UTC winter time and 2.00 UTC daylight saving time on gas day D-1;
 - 7.9.5.2 the network user may adjust the confirmed quantity for the remaining hours that have not entered matching procedure for gas day D from 3.00 UTC winter time and 2.00 UTC daylight saving time on gas day D-1 and until 2.00 UTC winter time and 1.00 UTC daylight saving time on gas day D;

- 7.9.6 The last re-nomination received from the network user before the re-nomination cycle starts shall be taken as valid.
- 7.9.7 Having received a re-nomination, the TSO within two hours from the beginning of the following re-nomination cycle in conformity with the standard communications protocol shall notify the network user:
 - 7.9.7.1 whether the submitted re-nomination has been confirmed;
 - 7.9.7.2 whether the gas quantity has been reduced or rejected due to the matching procedure.
- 7.9.8 TSO shall assess only the last nomination and re-nomination timely submitted for the relevant period at specific entry or exit point.
- 7.9.9 When assessing whether nomination has been submitted on time, TSO shall take into account only time of receiving, and not time of sending the nomination.
- 7.9.10 TSO shall reserve the right to stop re-nomination submission cycle or extend it. TSO shall inform related network users of any such situation in conformity with the standard communications protocol.
- 7.10 Reduction and rejection of nomination and re-nomination
 - 7.10.1 TSO can reduce nominated or re-nominated gas volume due to technical accident in transmission system, gas quality noncompliance and other reasons laid down in section 11 of the Regulation, proportionally to confirmed quantity.
 - 7.10.2 The TSO shall be entitled to reject a nomination or re-nomination, notifying the network user at receiving the nominations in conformity with the standard communications protocol if any of the following conditions apply:
 - 7.10.2.1 the content of the nomination or re-nomination does not comply with the requirements laid down in sub-paragraph 7.8.1. of the Regulation;
 - 7.10.2.2 the nomination or re-nomination was submitted by a person who is not entitled to do so under the transmission service agreement.
 - 7.10.3 The TSO shall be entitled to reject or reduce the nomination or re-nomination, notifying the network user at the matching conformation in conformity with the standard communications protocol if any of the following conditions apply:
 - 7.10.3.1 the nomination or re-nomination exceeds the quantity of capacity products allocated to the network user and additional capacity cannot be allocated via re-nomination taking into account the ramping flow change limitations (meaning that the hourly flat capacity is not sufficient to technically allow the gas flow change);
 - 7.10.3.2 the TSO does not receive information necessary for gas volume reconciliation from the adjacent system operator;
 - 7.10.3.3 in the case of acceptance of a re-nomination, there is an expected change in the gas flow direction before the end of the re-nomination period;
 - 7.10.3.4 nomination has been not provided following conditions laid down in the Regulation;
 - 7.10.3.5 in case of an exceptional event or emergency situation where the evident danger occurs to the system security and stability.
- 7.11 If the TSO reject a nomination, the TSO shall use the last confirmed network user's nomination or re-nomination, if any.
- 7.12 Nomination Matching
 - 7.12.1 TSO shall carry out regular matching procedure and shall verify with the adjacent TSO whether gas volume planned for entry or exit at specific point of the system as indicated in submitted network user nomination comply with gas volume planned for entry or exit as related to network user's nomination.

- 7.12.2 If provided gas volume indicated in nominations does not match, the adjacent TSOs shall apply matching principles agreed in the cooperation arrangements of relevant interconnection point.
- 7.12.3 Matching rule for the Inčukalns underground gas storage facility shall be lesser rule.
- 7.12.4 After the matching of the quantity of gas flow with the adjacent TSO storage system operator or the application of the lesser rule, the nomination shall be deemed to be confirmed and the TSO shall send to the network user the notification laid down in sub-paragraph 7.9.4 Upon confirmation of the nomination, the TSO shall inform the adjacent transmission system operator or the storage system operator.

8 Allocation

8.1 General provisions

- 8.1.1 The TSO shall allocate gas quantity for a network user for each gas day D at each entry or exit point.
- 8.1.2 A 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.
- 8.1.3 A network user's allocation at entry or exit point with underground gas storage facility is determined as follows:
 - 8.1.3.1 preliminary allocation shall be equal to last confirmed quantity of gas indicated in nomination or re-nomination for the gas day D after matching the gas quantity with the storage system operator;
 - 8.1.3.2 final allocation shall be available after update from storage system operator no later than 8th calendar day after end of the month.
- 8.1.4 Allocation to network user at entry points from third countries shall be determined based on the following criteria:
 - 8.1.4.1 allocation to network user with fixed delivery agreement shall be equal to the last confirmed quantity of gas indicated in nomination or re-nomination;
 - 8.1.4.2 if there is an agreement establishing operational balancing account between adjacent operator or network user(s) and TSO, allocation to network user shall be equal to last confirmed quantity. The difference between the nominated flow and measured quantity shall be allocated to operational balancing account;
 - 8.1.4.3 if there is no agreement establishing operational balancing account TSO shall allocate the difference between the nominated flow and the measured quantity pro-rata to nominated gas quantity of all network users proportionally unless proven by terms of delivery agreement to have fixed agreement for the relevant period. Allocated gas quantity shall not exceed flexibility limits specified in network user's flexible delivery agreement;
 - 8.1.4.4 Final allocation shall be completed no later than eight calendar days after the end of the reporting period (month).
- 8.1.5 Allocation to network user at domestic exit points shall be determined as follows:
 - 8.1.5.1 regarding non-daily metered off-takes:
 - 8.1.5.1.1. to determine the daily gas volume delivered, daily gas consumption data provided by forecasting party shall be used;
 - 8.1.5.1.1. no later than 8th calendar day after reporting period, the gas quantity shall be adjusted based on the actual quantity accounted during the reporting period, where the distribution system operator provides such data.
 - 8.1.5.2 regarding daily metered off-takes:

- 8.1.5.2.1. at exit point where consumer is directly connected to transmission system the allocation shall be determined based on the measured quantity;
- 8.1.5.2.2. at exit point where gas is delivered to distribution system, allocation to network user shall be equal to measured quantity. Measured quantity shall be determined by TSO based on information received from distribution system operator. TSO shall provide information to network user about allocated quantity on gas day D+1;
- 8.1.5.2.3. at biomethane entry points the allocation shall be determined based on the measured quantity. At one biomethane entry point it shall be allowed injection of only one network user.

8.2 Exchange of information about allocated gas volume

- 8.2.1 TSO shall provide the network user with daily and monthly data about gas volume allocated to it.
- 8.2.2 The TSO shall in conformity with the standard communications protocol notify the network user of the allocation on gas day D at the specific entry and exit point no later than 12.00 UTC winter time and 11.00 UTC daylight saving on gas day D+1.
 - 8.2.2.1 The TSO shall in conformity with the standard communications protocol notify the network user the of the final monthly allocation not later than 07:00 UTC daylight saving and 08:00 UTC winter time on 6th calendar day after the reporting period, at each exit and entry point which will be used for payment (information submitted on daily and monthly gas volume value and cross calorific value).

9 Reconciliation

- 9.1 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.
- 9.2 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.
- 9.3 Reconciliated gas quantity is taken into account in following invoicing procedures laid down in section 12 of the Regulation.

10 Operations and gas entry provisions

10.1 Gas quality

- 10.1.1 Components and quality parameters of the gas at the entry points of the particular common balancing zone country shall correspond to the requirements set out in the applicable national legislation.
- 10.1.2 The measurement of gas quality shall be performed at:
 - 10.1.2.1 Kiemenai interconnection point;
 - 10.1.2.2 Balticconnector interconnection point;
 - 10.1.2.3 entry points with third countries laid down in sub-paragraph 1.5.1. of the Regulation;
 - 10.1.2.4 entry and exit point with Inčukalns underground gas storage facility;
 - 10.1.2.5 entry point with LNG facility;
 - 10.1.2.6 entry from Latvian and Estonian production.
- 10.1.3 If gas delivered to the entry point does not correspond the gas quality requirements, TSO shall have the right to refuse to accept and transmit the gas.
- 10.1.4 If gas delivered to the exit point does not meet 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 required parameters as set out in national legislation.

10.2 Accounting of gas quantity

10.2.1 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, recording the quantity, pressure and temperature of the transmitted gas on regular basis with frequency requested by respective legislation.

10.2.2 The TSO shall use of energy units (kWh) in the gas accounts and reports.

10.3 Maintenance

10.3.1 The TSO shall publish on its website the schedule of works to be performed at the transmission system with indication of transmission system construction, reconstruction, and maintenance works planned for the current year, which may affect the rights of the network users provided in these Regulation.

10.3.2 The TSO shall no later than 42 calendar days before the start of works publish on its website information on planned gas network maintenance, repair, connection or disconnection works at transmission system of common balancing zone, indicating works during which gas transmission shall be terminated or restricted, and inform the system users in accordance with the procedures laid down in the transmission service agreement.

10.3.3 In case of suspension or restriction of transmission services, TSO shall immediately inform the network users in accordance with the procedures laid down in the transmission service agreement since when and for what period of time the gas transmission shall be restricted.

10.3.4 TSO shall inform the network users in accordance with the procedures laid down in the transmission service agreement about the unplanned termination of interruptible transmission services and the probable time of renewal of such services immediately after the determination of the need of such termination.

11 Suspension or restriction of the transmission system service

11.1 The TSO may have the right to take actions that might lead to suspension or restriction of the capacity in the event of emergency incidents not falling under the scope of Force Majeure events. In the event of such emergency incident, the TSO shall make reasonable efforts and take actions to ensure that continuity of the service is established without an undue delay with the aim to minimize the impact on network users.

11.1.1 The TSO may suspend or restrict the input of gas in the transmission network, its transmission and off-take from the transmission network without prior warning in the following cases:

11.1.1.1 the network user's gas supply network directly connected to the transmission network presents a risk to human life, health or property;

11.1.1.2 the pressure of the gas input flow does not meet the requirements set out in the cooperation agreement between gas network operators or the connection agreement between TSO and party connected to the transmission network;

11.1.1.3 an accident has occurred in the transmission network or there is an emergency situation as it is 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.

11.1.1.4 an energy crisis in the country has been announced as it is specified in the national law;

11.1.1.5 there are damages in the transmission system, the distribution system, underground gas storage facility which may cause transmission system accidents;

11.1.1.6 the transmission system, gas distribution system, underground gas storage facility has deviated from normal operation or has been damaged and the adjacent TSO, distribution system operator,

- storage system operator has requested to immediately stop the transmission of gas to or from such network;
- 11.1.1.7 the input of the gas at the entry points laid down in paragraph 1.3 of the Regulation is suspended or restricted for reasons beyond the TSO's control;
 - 11.1.1.8 the functioning and safety of the transmission network is at risk due to imbalance caused by the network user;
 - 11.1.1.9 it is necessary to perform emergency maintenance works to resolve an emergency situation in the transmission network or in the underground gas storage facility;
 - 11.1.1.10 the quality indicators of the gas input into the transmission network do not comply with the gas quality requirements;
 - 11.1.1.11 when the network user fails to pay for gas transmission service on time and under terms determined in these Regulation.
- 11.1.2 If the transmission of gas is suspended or restricted the TSO no later than 24 hours after suspension or restriction of the gas transmission service shall publish information thereof on its website and inform the system users in accordance with the procedures laid down in the transmission service agreement.
- 11.1.3 The TSO may suspend or restrict the input of gas in the transmission network, its transmission and off-take from the transmission network by notifying the network user at least five calendar days in advance in the following cases:
- 11.1.3.1 the network user through its act or omission causes threat to the operation and safety of the transmission network or has a negative impact on the quality of gas;
 - 11.1.3.2 it is necessary to perform gas network maintenance or connection works;
 - 11.1.3.3 in other cases provided by the national legislation of each TSO.

12 Invoicing and settlement

- 12.1 The network users shall settle for the transmission system services (the booking of transmission system capacity at the entry and exit point) in accordance with the deadlines and procedures laid down in the Regulation and pursuant to the applicable tariffs set pursuant to the procedure stipulated in the national law of the TSO.
- 12.2 The TSO has the right, in accordance with procedure and on conditions set forth by the TSO's national law, to unilaterally apply the tariffs of the transmission service.
- 12.3 Subject to the tariff setting procedure under the national law of each TSO, network users are invoiced for capacity products based on the tariffs applicable at the time and when the transmission system services by the TSO are provided, insofar the decision on tariff setting under the national law does not explicitly provide otherwise.
- 12.4 These Regulation shall not apply to the fee for the provision of transmission services for exit to Estonian domestic consumption. For the exit to Estonian domestic consumption "Standardized terms of domestic gas transmission service at Elering AS" apply.
- 12.5 According to data submitted by the distribution system operator, metering data at the delivery locations directly connected to the transmission system and/or according to an act of the transmitted gas, TSO shall prepare a report on quantity of the transmitted gas for each reporting period and shall submit it to the network user together with an invoice according to the procedure indicated in sub-paragraph 8.2.
- 12.6 The TSO shall submit to the network user an invoice for transmission services provided during the reporting period until the 10th calendar day following the reporting period. The TSO shall indicate in the invoice allocated capacity products and amount of the network user for the reporting period

in kWh.

- 12.7 The TSO shall send the invoice to the network user's e-mail address specified in the transmission service agreement. The invoice shall be valid without signature and it shall be replaced with authorization or signed with a secure electronic signature. The date of receipt of the invoice shall be the day of its dispatch.
- 12.8 All payments shall be made in euros to the TSO's account specified in the transmission service agreement.
- 12.9 The network user shall pay for the transmission system service in a calendar month within 10 calendar days from the issue 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 date of the deadline of invoice payment shall be the following business day.
- 12.10 All payments are deemed to have been made on the date when the corresponding amounts have been credited to the bank account of the party that has issued the invoice. Irrespective 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.
- 12.11 If the network user fails to pay for the transmission system service provided in the reporting period within the deadline specified in sub-paragraph 12.9., the TSO shall calculate interest of late payment at a rate of 0.05% of the amount not timely paid for each day of delay. Interest of late payment shall be calculated once per month and identified along with other information in the invoice for the transmission system services provided in the previous month.
- 12.12 The principles on the maximum amount of contractual penalties and default interest in the country where the TSO has its registered office shall apply.

13 Creditworthiness, credit management and collaterals

- 13.1 Upon conclusion of the transmission service agreement with the Estonian TSO the network user shall present appropriate collateral for the fulfilment of the network user's obligations under the transmission service agreement in accordance with the Annex 1 to the Regulation.
- 13.2 In case the transmission service agreement is concluded with the Latvian TSO the network user shall provide a collateral (in the form of a financial service provider's guarantee or a security deposit) for the fulfilment of the network user's obligations under the transmission service agreement in accordance with the criteria and regulations provided in Annex 2 of these Regulation.

14 Dispute settlement and applicable law

- 14.1 All disputes and disagreements (hereinafter in this section - Dispute) arising in relation to the implementation of the transmission service agreement and (or) the Regulation and application of provisions shall be settled by means of mutual negotiations in accordance with the Regulation and the applicable legal acts. In the event of a Dispute, the party invoking it shall submit to the other party a written notice containing a description of the Dispute, the suggested solution, and the persons authorized to hold negotiations related to the Dispute on behalf of the party.
- 14.2 In case a TSO and a network user are unable to resolve Dispute through negotiations within 30 business days from its emergency (unless the authorized representatives of the parties have agreed upon a different deadline) in accordance with the procedure and cases described under the national law of the TSO the Dispute shall be referred to the relevant national regulatory authority for the out-of-court examination of the Dispute or directly to the court of the country where the TSO has its registered office.

- 14.3 The transmission service agreement and the Regulation shall be governed by and construed and interpreted in accordance with national law of the place where the TSO has its registered office.

15 Regulation Amendment and termination of the transmission service agreement

- 15.1 The transmission service agreement may be amended upon the written consent of both parties, insofar the transmission service agreement does not contradict the Regulation, or on another basis set out in the legislation.
- 15.2 The TSO shall have the right to amend the terms and conditions set out in the transmission service agreement, provided that such amendments are also coordinated between both TSOs operating in the common balancing zone. The TSO shall notify the network user in writing and post amendments on its website no later than 30 calendar days before the amendments become effective.
- 15.3 The TSO shall furthermore have the unilateral right to amend the transmission service agreement in situations stipulated by law, with immediate effect where necessary to comply with applicable laws or regulations and/or legally binding orders made by 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, provided that the amended form of the transmission service agreement does not violate any applicable legal acts in force. TSO shall notify network user of any amendments to the transmission service agreement in writing without undue delay before the amendments become effective.
- 15.4 The transmission service agreement may be terminated by common written agreement between the parties.
- 15.5 The transmission service agreement may be terminated unilaterally if the party gives a 30 calendar days prior notice to the other party on the termination of the transmission service agreement in the event that the latter party fails to comply with or improperly executes the transmission service agreement provided that the party wishing to terminate it has demanded in writing that the material breach be remedied and the other party has not remedied the material breach within 10 business days of receiving such demand. In such case the party wishing to terminate the transmission service agreement.
- 15.6 Material breach of the transmission service agreement shall cover the following circumstances:
- 15.6.1 where a network user fails to make a timely settlement for the transmission services received;
- 15.6.2 where a network user, in spite of the existence of grounds as provided for by the Regulation, fails to submit to the TSO insufficient documentation for a credit approval and/or security for the fulfilment of obligations in accordance with the Regulation.
- 15.7 The party is entitled to terminate the transmission service agreement without notice if the other party is declared bankrupt or becomes insolvent, suspends its payments or is subject to compulsory or voluntary liquidation.
- 15.8 About terminated transmission service agreement TSO shall immediately inform trading platform operator and the distribution system operator, to which distribution systems in accordance with that transmission service agreement gas was transported.
- 15.9 Termination of the transmission service agreement shall not relieve the parties from the performance of all obligations emerged during the validity period of the transmission service agreement.

16 Liability

- 16.1 The rights and obligations of the parties are laid down in the Regulation and the prevailing legal

acts.

- 16.2 The network user and TSO are liable for appropriate performance of the requirements established for them in the Regulation and obligations undertaken within the scope of the transmission service agreement. Liability of the network user and the TSO may be limited or inapplicable only on the grounds established in the legal acts of the country where the TSO has its registered office. Either party shall compensate losses incurred by the other party if the guilty party improperly performs or does not perform the transmission service agreement.
- 16.3 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.
- 16.4 The party failing to perform in accordance with the transmission service agreement and (or) the Regulation shall be liable to compensation only for direct loss and/or loss of direct nature caused to the other party, provided there is a causal link between the fault(s) and amounts in dispute.
- 16.5 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.
- 16.6 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 these Regulation shall limit or exclude the TSO's and/ or network user's liability caused by the performance of its obligations under gross negligence, fraud or willful default.
- 16.7 The TSO shall not be liable for any damage caused by malfunctioning of the online platform used for performing auctions and its improper use, in particular if caused by users not authorized by the system user and/or incorrect data input during the auctions. The network user shall indemnify and hold harmless the TSO against any potential damages incurred by the TSO and/or by third parties resulting from these circumstances.
- 16.8 The network user shall be liable for the caused damage and suffered by the TSO or third parties through gas which does not comply with specifications and shall fully indemnify and hold harmless the TSO in such cases.
- 16.9 If the quality of gas does not meet the requirements of the 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.
- 16.10 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.

17 Force majeure

- 17.1 TSO and network user shall not be held liable for a full or partial non-performance of the transmission service agreement obligations if 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 it from performing its obligations under the transmission service agreement, and cannot be eliminated by the TSO or network user. Primarily such circumstances are catastrophes, fire, earthquakes and other natural phenomena, warfare, economic sanctions, embargoes or any other circumstances which the TSO and network user could

not foresee at the time of entering in the transmission service agreement.

- 17.2 Individual obstacles to the performance of the transmission service agreement obligations having occurred at the time when the defaulted TSO or network user delayed the performance of its transmission service agreement obligations shall not be considered *force majeure* circumstances. For instance, lack of funds shall be an individual obstacle.
- 17.3 The TSO or network user invoking *force majeure* should strive to continue fulfilling their obligations as soon as may reasonably be required, provided that this is possible without incurring unreasonable charges.
- 17.4 If *force majeure* circumstances persist for more than 30 calendar days, the TSO or network user shall enter into negotiations over a suitable solution for the performance of the transmission service agreement obligations. In such case the termination of the transmission service agreement shall only be possible by mutual agreement of the TSO and network user.
- 17.5 The TSO and network user shall immediately, but not later than twenty four 24 hours, notify each other of *force majeure* circumstances. If the parties do not notify of force majeure circumstances, the TSO or network user may not invoke them as grounds of non-performance of the transmission service agreement.
- 17.6 When the *force majeure* circumstances are no longer in place, the TSO and network user shall immediately resume the performance of the obligations which they performed up to the day of emergence of the *force majeure* circumstances, unless agreed otherwise by the TSO and network user.
- 17.7 The parties shall make all reasonable efforts to mitigate the effects of the force majeure event or circumstance and endeavor to ensure as soon as possible that normal performance of the transmission service agreement is re-established.

18 Confidentiality

- 18.1 Data on the quantity of gas transmitted to the network user, capacity booked and distributed under the transmission service agreement and other information which become known in performing the activities of the TSO shall be considered and safeguarded as commercially sensitive information in compliance with the applicable laws and regulations.
- 18.2 The parties shall treat and keep all information such as but not limited to information of business, legal, technical, financial nature obtained by one party from the other in any form, such as but not limited to in writing, orally, virtually or electronically, as confidential. Parties shall not disclose any such confidential information to any third party without the prior written consent of the other party, except where needed for the proper performance of the transmission service agreement to the parties.
- 18.3 The TSO shall provide the data specified in sub-paragraph 18.1 to undertakings engaged in gas storage, distribution or liquefaction activities to the extent as necessary for the proper execution of these Regulation as well as to institutions entitled to regulate, control and/or inspect undertakings involved in energy activities, in accordance with the procedure established by legal acts.
- 18.4 The TSO may provide the data specified in sub-paragraph 18.1 to institutions, organizations, and undertakings performing gas sector research, preparing reviews, and carrying out other similar activities, provided that the institutions, organizations, and undertakings specified in this sub-paragraph submit a written request to disclose data with indication the purpose of the use of those data and provide a written consent of the network user regarding the disclosure of the data, wherein the degree of detail of the disclosure of the data is specified (transmitted quantity/booked capacity; date/period; entry/exit point).

- 18.5 The TSO may provide the data specified in sub-paragraph 18.1 if the information is already in public domain or the information is already available to the receiving party from another source without breaching of the present clause.
- 18.6 The TSO shall provide the data specified in section 18 to law enforcement agencies which, in accordance with the procedure established by legal acts, have the right to demand and receive such data.
- 18.7 The confidentiality obligations under this section are binding upon the parties for the entire duration of the transmission service agreement and shall survive after its termination or expiry. As the case may be, the confidentiality obligations under this section will cease to apply from the moment that the information enters into the public domain without breaching the present clause.

19 Closing Provisions

- 19.1 The capacity products for the first quarter of the gas year 2020 (October to December 2019) shall be offered for booking, booked and used under the following terms and conditions:
- 19.1.1 in Latvia – under the decision No.1/16 of the Board of the Public Utilities Commission of 13 April 2017 “Regulations Regarding the Use of Natural Gas Transmission System”;
- 19.1.2 in Estonia - under the decision No.7-10/2018-0015 of the Competition Authority of 17 May 2018 “Standardized Terms for Cross-Border Gas Transmission Service at Elering AS” .
- 19.2 Yearly standard capacity product for gas year of 2020 shall be the capacity offered in the same amount for all gas days from 1 January 2020 until 1 October 2020. Yearly standard capacity product for gas year of 2020 shall be offered for booking from 1 November 2019 until 31 December 2019 taking into account the gas transmission system service tariffs, which will be in effect on 1 January 2020.
- 19.3 Quarterly standard capacity product for the second quarter (January-March 2020) of the gas year 2020 shall be offered for booking from 1 December 2019 until 31 December 2019.
- 19.4 Monthly standard capacity products for gas year 2020 shall be offered for booking as for January 2020.
- 19.5 Day-ahead standard capacity products for gas year 2020 shall be offered for booking as for gas day of 1 January 2020.
- 19.6 Within day capacity for gas year 2020 shall be offered for booking as for 1 January 2020.
- 19.7 All the annexes specified in these Regulation shall form an integral part of these Regulation.
- 19.8 These Regulation and transmission service agreement exist in both national language (according to the place where the TSO has its registered office) and English versions. The official language of business shall be national and English. In case of discrepancies of inconsistencies between different language versions of these Regulation and transmission service agreement, the English language version shall prevail.
- 19.9 All the annexes specified in these Regulation shall form an integral part of these Regulation.
- 19.10 Procedures, document forms, and/or other requirements specified in these Regulation are published on the internet website of the TSO.
- 19.11 The network users who have a contractual arrangement for the provision of transmission services with the TSO in force on 31 October 2019 and who want to receive the transmission system services in the common balancing zone shall be under the obligation to submit to any TSO the application and documents laid down in section 3 of the Regulation with a pre-condition that the balancing agreement is concluded with the same TSO in accordance with the balancing rules of the common balancing zone.
- 19.12 The TSO shall, in accordance with the Regulation, evaluate applications of applicants to acquire

the rights to use the transmission systems of the common balancing zone submitted to the TSO by the day of coming into force of these Regulation.

- 19.13 In case the network user intends to conclude the transmission service agreement with the TSO other than the TSO with whom the former has entered into contractual arrangement for the provision of transmission services prior to the effective date of the Regulation and upon termination of the said contractual arrangement, the TSO shall refund or return, as applicable, to the network user the collateral in accordance with the principles described in the applicable rules regulating the third-party access.
- 19.14 The requirements for the collateral are fulfilled if the collateral amount under the contractual arrangement for the provision of transmission services with the TSO corresponds to the required amount under the Regulation when the network user concludes the transmission service agreement with the same TSO.
- 19.15 Insofar the network user has concluded the contractual arrangement for the provision of transmission services prior to the effective date of the Regulation with either TSO, the principles for collateral and the corresponding financial obligations not falling within the scope of the Regulation shall be finally settled in accordance with the applicable rules regulating the third-party access. The network user intending to conclude the transmission service agreement shall comply with the requirements provided in the Regulation.
- 19.16 The Regulation shall come into force on 1 November 2019.
- 19.17 Section 7 and 8 of the Regulation shall apply as for 31 December 2019.

Annex 1 - Collateral rules for Estonia accompanying the Regulation of the network rules

1. The Estonian TSO shall be entitled before conclusion of the transmission service agreement or during the validity period of the transmission service agreement to request the network user to submit a collateral for fulfilment of liabilities in the form of either:
 - 1.1 security deposit;
 - 1.2 guarantee of the bank registered in European Union Member State or in European Economic Area country, being in compliance with the criteria determined in paragraph 5;
 - 1.3 proof of appropriate credit rating complying with paragraph 3.
2. The network user shall have an obligation to inform immediately the TSO on any changes in the credit rating of the network user. The TSO shall be entitled to request the network user to submit updated information on the credit rating of the network user.
3. The network user's credit rating shall be deemed appropriate, if it complies with at least one of the following criteria:
 - 3.1 a long-term rating of BBB- or higher under Standard & Poor's;
 - 3.2 a long-term rating of BBB- or higher under Fitch;
 - 3.3 a long-term rating of Baa3 or higher under Moody's;
4. The network user shall submit the collateral to the TSO within seven business days from the receipt of the TSO's request.
5. A financial service provider's guarantee shall be recognised by the TSO as a suitable collateral if it meets the following conditions:
 - 5.1 the guarantee is issued by a financial service provider whose or whose group's credit rating of long-term borrowing in foreign currency is at least Baa1 according to Moody's or BBB+ according to the Standard&Poor's, or BBB+ according to Fitch Ratings. If the financial service provider or its group has been granted the required long-term borrowing rating by at least one credit agency mentioned in this paragraph, the guarantee provided by such financial service provider or its group shall be deemed suitable;
 - 5.2 it is an irrevocable first demand guarantee.
6. The collateral must be valid for the entire duration of the transmission service agreement.
7. The amount of security deposit or guarantee for fulfilment of liabilities of the transmission service agreement shall be either 30 000 € or forecasted next month's service fee under transmission service agreement, whichever is higher. In case forecast is not available, previous month's entry and exit flow with related transmission tariffs are used to calculate collateral amount. TSO has the right to request increasing of the security deposit or guarantee amount during a month in case the forecast is exceeded.
8. If the network user does not renew the collateral or does not increase the collateral amount within 20 business days from the moment the collateral no longer complies with the provisions of these rules, the TSO shall be entitled to terminate the provision of the transmission system services as stipulated by the transmission service agreement until the network user provides a new collateral that fulfils the provisions of these rules or increases the current collateral. While the services are not provided, the TSO shall be entitled to allocate the transmission capacity booked by the network user to another network user as unused capacity.
9. Upon termination of the transmission service agreement, the TSO shall return the collateral to the network user within five business days in the amount not used to discharge the network user's outstanding obligations or shall return the original guarantee of the financial service provider or of related merchant.

Annex 2 Collateral rules for Latvia accompanying the Regulation of the network rules

1. The TSO shall evaluate the information established in sub-paragraph 3.1.5. of these Regulation to determine the need to request the network user to submit a security for the fulfilment of liabilities (security deposit, guarantee of a financial service provider or the affiliate entity, which corresponds to the criteria established in paragraph 4 of this Annex, guarantee) when concluding the transmission service agreement or during its validity.
2. The network user after the first full calendar year since the conclusion of transmission service agreement shall, not less than once a year, submit to the TSO updated information on credit rating of the network user. The network user has an obligation to immediately inform the TSO of any changes in the credit rating of the network user. The TSO shall have a right to require the network user to submit an actual information on the credit rating of the network user.
3. The TSO shall be entitled to request a network user, when concluding the transmission service agreement, or during duration of the transmission service agreement, to submit a security for fulfilment of liabilities (security deposit, guarantee of a financial services provider or the affiliate entity, which corresponds to the criteria established in paragraph 4 of this Annex, guarantee) to cover the payment claims arising from the transmission service agreement if:
 - 3.1. The TSO has grounds to believe that the network user is wholly or partly unable to cover the liabilities arising from the transmission service agreement;
 - 3.2. An insolvency procedure or liquidation proceedings have been initiated for the network user;
 - 3.3. According to the criteria established in paragraph 4 of this Annex, the network user does not have an appropriate credit rating;
 - 3.4. The network user delays payments arising from the transmission service agreement, which have become due, twice over 12 months.
4. The credit rating of the network user shall be deemed appropriate if it complies with at least one of the following criteria:
 - 4.1. Standard & Poor's long-term rating is BBB- or higher;
 - 4.2. Fitch long-term rating is BBB- or higher;
 - 4.3. Moody's long-term rating is Baa3 or higher;
 - 4.4. Creditreform rating for risk class II or higher, or an equivalent credit rating of a generally known credit agency or rating agency and the credit amount, established in the issued rating reference to the network user, complies or exceeds the amount of security for fulfilment of liabilities as set in paragraph 10 of this Annex.
5. If the network user or the affiliate entity does not agree with the findings of the TSO of the non-compliance of the network user or the affiliate entity with the credit rating, the network user or the affiliate entity, as appropriate, may, within five business days, submit appropriate evidence for the TSO to objectively evaluate creditworthiness of the network user.
6. The network user may simultaneously choose one or more types of security for the fulfilment of liabilities (a security deposit, guarantee of a financial service provider or the affiliate entity, which credit rating corresponds to the criteria established in paragraph 4 of this Annex, guarantee).
7. The network user shall submit a security for the fulfilment of liabilities to the TSO within seven business days from the day of receipt of the relevant request.
8. The TSO shall recognize the guarantee as a proper security for the fulfilment of liabilities if it complies with the following provisions:
 - 8.1. The guarantee has been issued by a financial services provider who or whose group has at least Baa1 credit rating in accordance with Moody's agency or BBB+ in accordance with Standard & Poor's

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

- 8.2. The guarantee has been issued by an affiliate entity, which credit rating corresponds to paragraph 4 of this Annex;
- 8.3. The guarantee shall be first demand and irrevocable.
9. A security for the fulfilment of liabilities must be in force during the operation of the transmission service agreement, if the TSO has requested the security for the fulfilment of liabilities.
10. The TSO shall lay down an amount of the security for fulfilment of liabilities under the transmission service agreement in double amount of the average monthly payment by the network user for capacity over the last 12 months. If the period of use of the transmission system is shorter than 12 months, this period shall be used as the grounds for the determination of an amount for the fulfilment of liabilities, but amount of the security for the fulfilment of liabilities shall not be less than EUR 25 000.
11. If liabilities of the network user within the framework of the transmission service agreement exceed the sum for which the security for the fulfilment of liabilities has been issued, the TSO has the right to request the network user to increase the amount of the security for the fulfilment of liabilities and submit a new security for the fulfilment of liabilities to the TSO within seven business days which complies with the provisions of this Annex.
12. If the network user fails to restore the security for the fulfilment of liabilities or to increase the amount thereof within 20 business days from the moment when the security for the fulfilment of liabilities does not comply with the provisions of this Annex, the TSO has the right to discontinue provision of transmission system service in accordance with the procedures laid down in the Regulation until the moment the network user submits a new security for the fulfilment of liabilities or increases amount of the existing security for the fulfilment of liabilities complying with the provisions of this Annex. During discontinuation period of the provision of service the TSO has the right to allocate the capacity reserved by the network user in the transmission system to another network user as unused capacity.
13. Upon termination of the transmission service agreement, the TSO shall, within five business days, refund to the network user the sum of security for the fulfilment of liabilities which is not used to extinguish the unfulfilled liabilities of the network user or return the original of the guarantee of the financial service provider or the affiliate entity, which credit rating corresponds to paragraph 4 of this Annex, guarantee original.