**System Operator's**

**METHODOLOGY OF GAS TRANSMISSION CAPACITY ALLOCATION AND CONGESTION MANAGEMENT PROCEDURE**

**AND**

**CONDITIONS FOR ACCESSING THE CROSS-BORDER INFRASTRUCTURE**

For presenting at public consultations

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# General provisions

## This "Methodology of Gas Transmission Capacity Allocation and Congestion-Management Procedure and Conditions for Accessing the Cross-border Infrastructure" (hereinafter referred to as Methodology) will determine the rights and obligations of the system operator and the market participant (hereinafter referred to separately as a party and together as parties) in the relevant points of the Estonian transmission system regarding distribution, reservation, secondary trading and congestion of transmission capacity. This Methodology will also provide conditions for accessing the cross-border infrastructure.

## This Methodology is compiled on the basis of clauses 16 (1) 2) and 22 15) of the Natural Gas Act and by considering the aims provided by the European Parliament and Council Regulation (EC) No 715/2009.

## This Methodology was compiled after consulting with market participants and by taking into account the differences of the local gas market, where there is no contractual or physical congestion in the transmission system when working on regular mode.

## This Methodology is valid until the system operators of the Baltic States have set common rules, but no longer than the implementation of Balticconnector, the gas interconnector between Estonia and Finland.

## This Methodology is published in Estonian and English on the system operator's webpage. Estonian formulation will be used in case of disputes.

# Definitions

## In standard terms, definitions will be used in accordance with the established legislation or in the following manner:

## **Interruptible capacity** is the gas transmission capacity that may be interrupted by the transmission system operator in accordance with the conditions stipulated in the agreement;

## **Firm capacity** is the gas transmission capacity contractually guaranteed as uninterruptible by the transmission system operator;

## **Pro-rata method** is the principle of gas distribution, where spare capacity is proportionally distributed between market participants who have submitted their reservation applications in accordance with the requested capacity;

## **Within-day capacity** is the capacity offered and allocated after the closure of the day-ahead capacity auctions with respect to that day;

* 1. **Day-ahead capacity** is the capacity offered and allocated the day before the gas day;
  2. **Capacity allocation** includes reliable and effective principles used by the system operator, which meets the requirements of market participants regarding the capacity distribution between market participants at relevant entry-exit points;

## **Web application** is a technical web-based solution for submitting balance plans (nominations), for capacity reservation and for mediating information (including information about the secondary trading of capacity) between the market participant and system operator;

* 1. **Capacity reservation** is the right to use capacity at relevant entry-exit points provided to the market participant for injecting gas into the gas system or off-take from the gas system. This right is provided by the system operator as a result of capacity allocation on the basis of the application submitted by the market participant;
  2. **One-year capacity** is the capacity offered and allocated during a period of time previously announced by the system operator from October 1 until September 30 for every day at least 30 days before the start of the period's first gas day.

# Third-party access services at the entry-exit points and requirements for accessing the cross-border infrastructure

## The system operator will ensure access to the transmission network for third parties by the regulations provided in the Methodology by allocating transmission capacity at relevant entry-exit points of the Estonian gas system approved by the Estonian Competition Authority.

## The market participant has no right to inject gas into or off-take from the transmission system in case the market participant has not made a transmission capacity reservation.

## Transactions with the gas already in the transmission system will be performed by using the virtual trading point of which the system operator will not allocate any capacity.

## The market participant must have a balance or transit contract (hereinafter referred to as Contract) with the system operator to reserve transmission capacity at relevant entry-exit points. The market participant can reserve capacity via balance provider in case the market participant does not have the aforementioned contract with the system operator.

## To access the cross-border infrastructure the market participant must reserve transmission capacity at corresponding entry-exit points located at state borders.

## The system operator will provide an individual username and password of the web application for natural persons authorised by the market participant.

## The system operator publishes the data necessary for the allocation and reservation of capacities with known accuracy and pursuant to the procedure provided by law on the operator’s webpage in a downloadable format. The system operator will update the data in case of change.

## Amendments in Methodology and/or termination of the Contract:

### The system operator will inform the market participants about amendments in Methodology in written form and the new version will be published on the system operator's webpage.

### The system operator is obliged to provide explanations about any amendments on request of the market participant;

### The Methodology valid at any moment of time is an integral part of this Contract, including the existing and future annexes, sections, amendments and additions of the Contract, irrespective of their immediate inclusion to the Contract.

# Methodology of gas transmission capacity allocation

* 1. The system operator will calculate and make the maximum technical capacity available for the market participant as firm capacity by allocating the capacity at all relevant entry-exit points and taking into account the integrity of the system concerned as well as security of supply by using the pro-rata method.
  2. The system operator will evaluate whether it is possible to allocate interruptible capacity when firm capacity has ran out by taking into account the system's integrity and effective performance.
  3. The entry and exit capacity will be distributed separately at relevant points.
  4. The system operator will offer following services:

### Long-term service with a transmission capacity for a one-year period starting from October 1 until September 30 in the same daily quantity (*flat*);

### Short-term service with a day-ahead transmission capacity for one day;

### Short-term service with a within-day transmission capacity.

### The system operator can offer transmission capacity for periods different from those provided in section 4.4 of the Methodology by giving a 60 day notice.

* 1. The allocation of transmission capacity will begin from the longer period. The unused capacity will be given for allocation for the period which will be next by length.
  2. In case the system operator cannot satisfy the full reservation applications for firm capacity, the market participant will be offered the whole existent capacity and additional interruptible capacity, if possible.

## The market participant will submit a capacity reservation application to the system operator on the basis of the form and format available to the market participant, which includes the following information:

### Name of the market participant;

### Relevant point;

### Direction of the transmission capacity;

### Service (one-year, day-ahead or within-day);

### Type of capacity (firm or interruptible);

### Quantity of capacity to be reserved;

### EIC code of the balance provider.

## The system operator will determine the reservation application and confirmation format for the exchange of data with reasonable notice.

## Principles of the one-year service:

### The system operator will distribute up to 20% of the planned lowest technical transmission capacity at normal operation as one-year capacity.

### The time of the reservation application of the one-year transmission capacity will be disclosed on the system operator's webpage 30 days before the beginning of the application submission period. The application submission period will last for 30 days.

### The reservation application of the one-year capacity will be submitted via email on the form provided and disclosed by the system operator through a web application or to the email address determined in the Contract.

### Allocation principles of the day-ahead capacity:

### The system operator will allocate all the available technical capacity, which has not been allocated during previous periods as day-ahead capacity.

### The reservation application of the day-ahead capacity will be submitted together with a balance plan via web platform. The authorised representative of the market participant can log in to the web platform with a personal username and password or by using the email address disclosed by the system operator.

### The D-1 balance plan will be treated as the reservation application for the missing transmission capacity, in case the balance provider has not previously reserved capacity for the relevant entry-exit points to all the nominations submitted in the D-1 balance plan.

### The deadline for submitting a day-ahead reservation application is the same with the deadline for submitting the D-1 balance plan (on the previous working day at 15.00 EET).

### The system operator will response to the day-ahead reservation application by confirming the D-1 balance plan at the latest (at 17.00 EET), and by simultaneously updating the data mentioned in section 12 of the Methodology and published on the system operator's webpage.

### Principles of allocating the within-day transmission capacity:

### The system operator will allocate all available technical capacity, which has not been allocated during previous periods as within-day capacity.

### The within-day reservation application of capacity will be submitted via web platform and together with the amendments of the balance plan. The authorised representative of the market participant can log in by using a personal username and password or by using the form disclosed by the system operator via email.

### The amendment of the balance plan will be treated as the reservation application of the missing transmission capacity in case the balance provider has not previously reserved capacity for the relevant entry-exit points in the re-nomination balance plan.

### The submission period of the reservation application of the within-day transmission capacity will start with the confirmation of the D-1 balance plan and end at the same time with the deadline for submitting re-nominations to the balance plan (D+1 at 15.00 EET).

### The system operator will answer to the within-day reservation application by confirming the are-nominations of the balance plan within two (2) hours after the application was submitted. The reservation application has been declined in case the system operator has not confirmed the reservation application within two (2) hours.

## The system operator has the right to decline the reservation application of capacity for the following reasons:

### The reservation application of capacity has not been properly submitted.

### The reservation application of capacity is submitted by a market participant who has not signed a valid Contract with the system operator.

### There is no available firm capacity or interruptible capacity at the relevant point of the reservation application of capacity.

# Procedures of contractual congestion management

## The system operator will implicate the following measures for the effective use of the transmission system and contractual congestion management at the relevant cross-border entry-exit points of the European Union:

### Confirmation and surrender of a one-year contracted capacity;

### Withdrawal of the systematically underutilised contracted capacity (long-term use-it-or-loose-it);

### Offering unused reserved firm capacity as interruptible capacity (oversubscription);

### Secondary-trading of the transmission capacity.

## Confirmation and surrender of a one-year contracted capacity.

### The market participant must confirm the usage of the reserved one-year capacity with a monthly balance plan five (5) working days before the beginning of the month by 15.00 (EET).

### In case the market participant does not fully or partially confirm using the one-year capacity with a monthly balance plan, this will be treated as the market participant's decision to return unconfirmed reserved contracted capacity to the system operator for the next month.

### The system operator will reallocate the capacity as the day-ahead and within-day service.

### Secondary-trading with the transmission capacity

### The system operator will enable free trading with the reserved capacity for market participants who have a Contract with the system operator. A market participant with a Contract has the right to resell or purchase reserved capacity in full amount or partially.

### The system operator will not mediate secondary-trading transactions, but will publish a recommended secondary-trading contract form on the webpage. The system operator will also publish an interactive format as a web application for secondary-trading which includes purchase and sales offers.

### The obligations and rights towards the system operator will move from the market participant who initially reserved the capacity to the market participant who purchased the capacity at the secondary-trading.

### Both of the market participants who have agreed in the secondary-trading transactions will submit a corresponding notice in the form published on the system operator' webpage by 15.00 (EET) three (3) days before the beginning of the period.

### The system operator will confirm the secondary-trading transaction simultaneously to both market participants within one (1) working day from the moment of receiving the corresponding notice from both market participants requesting the transaction.

### All reserved capacity transactions made at the secondary-market will be valid after the system operator has submitted a corresponding confirmation to market participants requesting the transaction.

### Withdrawal of the systematically underutilised one-year contracted capacity (long-term use-it- or- loose-it)

### The one-year reserved capacity is considered systematically underutilised in case the market participant has not resold the capacity to another market participant according to the procedure presented in paragraph 5.3 of the Methodology, and is using less than 80% as a monthly average reserved one-year capacity without any explanations during two (2) consecutive months, or confirms systematically approximately 100% of its one-year reserved capacity with the month-ahead balance plan, and then reduces its capacity use nomination with the D-1 up to 20%.

### The system operator has the right to withdraw the market participant's systematically underutilised one-year reserved capacity in full quantity in case the system operator has analysed that the requirement presented in section 5.3.1 is fulfilled. For that purpose, the system operator will inform the market participant and the Estonian Competition Authority about the intention of withdrawing the capacity in written form and by adding an explanation about the actual use of the capacity reserved by the market participant.

### The market participant has fifteen (15) working days from the moment of receiving the letter referred to in section 5.3.2 to resell the one-year reserved capacity in the scope mentioned in the letter by following the procedure presented in section 5.5 of the Methodology.

### The system operator will withdraw the reserved capacity for re-allocation and the market participant will lose its reserved one-year capacity until the end of the period as a result of the capacity being withdrawn in case the market participant will not sell the one-year reserved capacity. The market participant is obliged to pay for withdrawn capacity the fee for the underutilisation of the capacity to the system operator in the amount provided in the price list.

## Offering unused reserved firm capacity as interruptible capacity (oversubscription)

### In case the system operator decides on the basis of experience that there is a risk of contractual congestion in the day-ahead timeframe and it is possible that the previously reserved firm capacity will not be used (on the basis of statistics on previous periods), the system operator will offer the mentioned capacity for the next day as interruptible capacity.

### The system operator will disclose the quantity of the day-ahead interruptible capacity by 11.00 (EET) at the latest.

# Procedures of physical congestion management and for the limitation of capacity

## The system operator will manage the gas system congestion in accordance with the legislation at relevant points in case there is a risk to the security of supply or system integrity.

## The system operator will implement the following measures in case there is a risk to the security of supply or system integrity:

### Will limit capacity at the relevant point;

### Will limit consumption;

### Will use the line pack managed by the system operator (including the line pack for protected consumers in case it is provided by law) to provide the security of supply of the gas system or its components.

## In the process of limiting capacity at the relevant point, first the interruptible capacity is interrupted and then firm capacity, whereby the capacity sold as shorter service will be limited first (this means that the capacity of the one-year service will be limited last).

## The capacity will be proportionally limited in terms of market participants who own the same service.

## The system operator will compensate the proved direct material damage to the market participant resulting from limiting firm capacity.

# Settlement of the used capacity and invoicing

## As a result of the settlement, the actual quantity of capacity used per day at every relevant entry-exit point will be determined in the following manner:

### The system operator is responsible for transmitting measurement data from relevant entry-exit points, which is necessary for settlement;

### 7.1.2. The system operator will ground the settlement on the measurement data of border metering points in the balance settlement presented in the open supply chain of the balance provider working for the market participant pursuant to the procedure provided by the standard conditions of balance contract;

## To determine the capacity used for gas supplies of the calculated month, the system operator will submit the final metering data of previous month on relevant entry-exit points, from where the market participant has injected or off-take gas into/from the system and/or reserved capacity, by the tenth (10) day of the month at the latest including a report with the information on::

### The valid price of capacity reservation;

### Quantity and price of the capacity reserved and used by the market participant.

### The system operator will submit an invoice to the market participant about the usage and/or withdrawal of capacity at the relevant entry-exit points by the fifteenth (15) day of the month.

# Rights and obligations of the system operator

## The system operator is obliged to:

### Follow the principles of equal treatment and transparency in terms of market participants in the process of fulfilling rights and obligations;

### Organise the allocation of gas system capacities at relevant entry-exit points and information exchange;

### Inform the market participant immediately about known technical limitations, which presumably may affect the supplies of the market participant.

### The system operator will publish information on the system operator's webpage about transmission capacity necessary for the allocation and reservation of capacities and ex-ante and ex-post data about the offering and demand of capacity regarding each relevant entry-exit point with known accuracy pursuant to the procedure provided by law in a downloadable format and in the following manner:

#### Actual physical flow data of gas measuring stations per day on the next day;

#### Actual pressure data of the relevant cross-border points per day on the next day;

#### Time and influence of unplanned interruptions of the gas system at relevant points immediately after the information has become known to the system operator;

#### Time and scope of the planned interruptions (including maintenance works) of the gas system immediately after the information has become known to the system operator, but at least 42 days before the interruption;

#### Technical capacity of relevant points in both directions 18 months in advance per every day;

#### Total contractual firm and interruptible capacity of relevant points in both directions 18 months in advance per every day;

#### Available firm and interruptible capacity of the relevant points in both directions 18 months in advance per every day;

#### Occurrence of unsuccessful, legally valid requests for firm capacity products with a duration of one month or longer including the number and volume of the unsuccessful requests;

#### Information about secondary-market transactions

### The system operator will keep the information at least 5 (five) years.

## The system operator has the following rights:

### Amend the Methodology by the procedure provided by law;

### Set limitations on shipment of the market participant in the cases provided by the Methodology and law;

### Submit invoices to the market participant for using capacity and for other services by the procedure provided in the Methodology and to the extent described in the system operator's price list;

### Change the information technology solutions in reasonable manner for information exchange and ask the market participants to be ready for implementing these changes by a reasonable deadline set by the system operator.

# Rights and obligations of the market participant

## The market participant is obliged to:

### Follow the rules provided in the Methodology;

### Arrange the capacity reservation and information exchange on its shipmentpertinent thereto;

### Reserve transmission capacity for all the entry and exit shipment of the transmission system by submitting the application of capacity reservation to the system operator;

### In reserving transmission capacity at the cross-border entry-exit point, the market participant will ensure that it has the right to use the necessary amount of entry-exit transmission capacity in a neighbouring system as well to provide a shipment in the required volume;

### Observe messages forwarded by the system operator;

### Update information technology hardware and software at its own costs by the deadline set by the system operator in case the system operator has informed (with reasonable notice) about the change of the information technology solution of the specified information exchange and this has been a reasonable modification;

### Immediately inform its clients for whom the capacities are reserved about the termination of the Contract;

### Settle the invoices for used capacity submitted by the system operator and all other payments specified in the Contract by the deadline.

## The market participant has the following rights:

### To use capacity according to the procedure provided in the Methodology;

### Obtain information and explanations from the system operator about their transactions according to the procedure provided by the Methodology and law.