

**Elering AS Transmission System Operator  
AS Conexus Baltic Grid Transmission System Operator**

**COMMON REGULATIONS FOR THE NATURAL GAS BALANCING OF  
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 each separately referred to as the TSO or jointly - TSOs) and the network user (hereinafter – the network user) in relation:
  - 1.1.1. the terms and procedure for providing information and general data exchange between TSO and the network user regarding their balance status;
  - 1.1.2. the order and procedure for operations in the virtual trading point to trade in gas and to submit trade notifications;
  - 1.1.3. allocation of initial and final imbalance quantity by network users, settlement and invoicing of imbalance charges;
  - 1.1.4. the terms and procedure governing the operational balancing of the gas transmission networks by the TSO;
  - 1.1.5. requirements for the collaterals for the fulfilment of the network user's obligations.
- 1.2. The Regulation shall apply:
  - 1.2.1. to both gas transmission systems (hereinafter – transmission system) in the territory of the Republic of Estonia and the Republic of Latvia;
  - 1.2.2. to all network users that have concluded the balancing agreement with one of the TSOs in the common balancing zone.
- 1.3. 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.
- 1.4. All regular communications between the TSO and the network user shall be carried out in a reasonable manner by providing network user sufficient time prior to any change in information technology solutions used for data exchange. Details about data exchange will be described in the user guide published by the TSOs.
- 1.5. The balancing 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. The Regulation use the terms as defined below:
  - 2.1.1. **Applicant** means a person who submits an application to the TSO to acquire the rights to balance its inputs against its off-takes in the common balancing zone.
  - 2.1.2. **Balancing agreement** means the standardized agreement, which may be concluded by a market participant with any TSO in the common balancing zone, in order to become a network user within the meaning of these Regulation.
  - 2.1.3. **Balancing portfolio** means the information gathered by the TSO on the network user's inputs and off-takes in transmission systems of the common balancing zone at the relevant entry and exit points.

- 2.1.4. **Balancing service agreement** means the standardized agreement, which may be concluded by a network user with any TSO in the common balancing zone, in order to provide balancing services.
- 2.1.5. **Balance responsibility** means the responsibility of the network user for the portfolio imbalance and the settlement of imbalances.
- 2.1.6. **Balancing service provider** means the network user that has signed a balancing service agreement with any TSO of the common balancing zone and is a provider of balancing services.
- 2.1.7. **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.
- 2.1.8. **Common balancing zone** means the combined area of Estonian and Latvian balancing zones, where the Regulation apply.
- 2.1.9. **Daily imbalance quantity** means the gas quantity (expressed in kWh) for which a network user shall pay or receive daily imbalance charges on each gas day.
- 2.1.10. **Energy Identification Code (hereinafter - the EIC)** means the identification code assigned to market participant active within the common balancing zone based on the Energy Identification Coding scheme.
- 2.1.11. **Entry flow** is the input into the transmission system at an entry point of the common balancing zone.
- 2.1.12. **Exit flow** is the offtake from the transmission system at an exit point of the common balancing zone.
- 2.1.13. **Forecasting party** means an entity that has been assigned by the respective national regulatory authority to be responsible for forecasting the off-takes of non-daily metered customers in a given area of the common balancing zone.
- 2.1.14. **MBP incentive factor** is the incentive factor applied to the marginal buy price.
- 2.1.15. **MSP incentive factor** is the incentive factor applied to the marginal sell price.
- 2.1.16. **Network user** within the scope of the Regulation means a market participant who has entered into a balancing agreement with the TSO of the common balancing zone in order to balance its inputs against its off-takes in the common balancing zone.
- 2.1.17. **Short term standardized product** means either a title product or a locational product that is traded for delivery on a within day or day ahead basis.
- 2.1.18. **Title product** means any product for the sale and purchase of gas that involves an exchange of gas at the virtual trading point of the common balancing zone.
- 2.1.19. **Trade notification** means the notice submitted by network user to the TSO specifying the requested exchange of gas with another network user at the virtual trading point.
- 2.1.20. **Virtual trading point** means a place which is not physically specified between the entry and exit points of the common balancing zone and at which gas injected into the common balancing zone is exchanged between the network users.

### 3. Conditions for the conclusion of the balancing agreement

- 3.1. To conclude the balancing agreement an applicant shall submit an application to any TSO operating in the common balancing zone electronically to the contact address specified by the TSO on its website no later than four weeks before the date, by which the applicant wants to start acting as a network user. 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 known credit or rating agency (not required if it is planned to provide a collateral pursuant to section 4 of the Regulation.
- 3.1.6. at the request of the TSO 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 the sub-paragraph 3.1. of the Regulation and 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 them within 10 business days from the day of sending the request by the TSO. If the applicant fails to submit the requested additional information or documents within the time period specified in this paragraph, it shall be deemed that the applicant has withdrawn its application.
- 3.5. If the applicant has submitted all the documents and additional information referred to in sub-paragraph 3.1. and 3.2. of the Regulation, the TSO shall, within five business days from the date of receipt of documents and additional information, prepare the balancing agreement and send electronically to the applicant.
- 3.6. The applicant shall return to the TSO a signed balancing agreement electronically or in two copies in case of the balancing agreement signed in a written form within 10 business days from the day of dispatch of the balancing agreement. If the applicant does not return to the TSO a signed balancing agreement within 15 business days from the day of dispatch of the balancing agreement, the applicant shall be deemed to have withdrawn its application.
- 3.7. The TSO shall, within three working days from the day of receipt of the balancing agreement, signed by the applicant, sign the balancing agreement and send one copy thereof to the applicant.
- 3.8. The TSO shall, within one business day after evaluating the application, inform the applicant of the refusal to conclude the balancing agreement by sending a notification to the electronic mail address indicated in the application. The TSO shall send a motivated written refusal to conclude the balancing agreement electronically or by post to the

address indicated in the application within the time period established under the laws of the country where the TSO has its registered office.

- 3.9. By signing the balancing agreement, the network user agrees to follow the terms of use of the common balancing zone IT platform, as published on the TSO website.

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

- 4.1. In case of conclusion of the balancing agreement with the Estonian TSO the network user shall present appropriate collateral for the fulfilment of the network user's obligations under the balancing agreement in accordance with the criteria and regulations with the Estonian national laws or regulations.
- 4.2. In case of conclusion of the balancing agreement 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 balancing agreement in accordance with the criteria and regulations coordinated with the national regulatory authority of Latvia (Annex 1).

#### **5. Balance responsibility and transfer of balance responsibility**

- 5.1. Network user shall be responsible for:
  - 5.1.1. ensuring that all its inputs, off-takes and virtual trading point transactions are in balance within gas day;
  - 5.1.2. the payments and issuing of invoices for daily imbalance charges of its balancing portfolio in accordance with section 8 of the Regulation.
- 5.2. The network user (the transferring network user), with a prior mutual agreement with another network user, may transfer its balance responsibility to another network user.
- 5.3. The transfer of balance responsibility shall be notified to the TSO of the transferring network user by submitting a balance responsibility transfer statement in accordance with a statement form published on the TSO website, which shall be duly completed and signed by both the transferring network user and the network user accepting balance responsibility, and which shall be submitted by e-mail or letter until the 20th date of the calendar month.
- 5.4. Upon receipt of a balance responsibility transfer statement, the TSO of the transferring network user shall verify that:
  - 5.4.1. the balance responsibility transfer statement has been duly completed and signed by the network user transferring balance responsibility and the network user accepting balance responsibility; and
  - 5.4.2. the network user accepting responsibility has not transferred its balance responsibility to another network user.
- 5.5. In case the verification is negative, the TSO of the transferring network user shall electronically provide the transferring network user with a justified rejection of the transfer of balance responsibility within five business days after receipt of the balance responsibility transfer statement.
- 5.6. In case the verification is successful, the TSO of the transferring network user shall electronically confirm the transfer of balance responsibility to the transferring network user and the network user receiving the balance responsibility within five business days from the date of receipt of the complete balance responsibility transfer statement.

- 5.7. The transfer of balance responsibility shall come into effect by the first gas day of the next calendar month after receiving the complete transfer statement in the current calendar month.
- 5.8. The network user receiving the balance responsibility assumes the responsibility of imbalance of the transferring network user, which arises only after the completion of transfer of the balance responsibility.
- 5.9. In case a network user has accepted the balance responsibility for other network user in accordance with this Section, the balancing portfolio of the transferring network user shall be deemed to be part of the receiving network user's balancing portfolio for the purposes of:
  - 5.9.1. determining the balance position of the network user as per section 8 of the Regulation;
  - 5.9.2. imbalance settlement.
- 5.10. The network user shall have a right to notify the TSO it has a balancing agreement with of the discontinuation of the transfer or receipt of the balancing responsibility by submitting a statement in accordance with a statement form published on the TSO website until the 20th date of the calendar month. The respective TSO shall electronically confirm the discontinuation of the transferred balancing responsibility to the transferring network user and the receiving network user within five business days from the date of receipt of notification from the transferring network user or the receiving network user. The balancing portfolios shall be deemed unlinked on the first gas day of the following calendar month after the notification, provided that the notification is sent by the network user no later than the twentieth date of the current calendar month.

## **6. Activities within the virtual trading point**

- 6.1. Virtual trading point serves to enable the exchange of gas between different network users in the common balancing zone;
- 6.2. Any exchange of gas between two network users shall be based on two matching trade notifications that are submitted, verified and allocated in accordance with the provisions of this Section.
- 6.3. Exchanges of gas at the virtual trading point shall not have capacity limitations.
- 6.4. All network users that have valid balancing agreement are entitled to exchange gas at the virtual trading point.
- 6.5. Network user wishing to exchange gas with another network user shall both submit a trade notification to the TSO;
- 6.6. Trade notifications for the exchange of gas on future gas days:
  - 6.6.1. may specify an exchange of gas on one or more consecutive gas days;
  - 6.6.2. shall be submitted to the TSO:
    - 6.6.2.1. no earlier than 40 calendar days before the last gas day on which gas shall be exchanged,
    - 6.6.2.2. no later than at 13:00 h UTC winter time and 12:00 h UTC daylight saving time, on gas day D-1, where gas day D is the first gas day on which gas shall be exchanged.
- 6.7. Trade notifications for within-day trading shall be submitted to the TSO:
  - 6.7.1. no earlier than two hours after the deadline specified in sub-paragraph 6.6.2.26.6.1 of the Regulation;
  - 6.7.2. no later than 30 minutes before the end of the gas day on which gas shall be exchanged.
- 6.8. All trade notifications shall specify:
  - 6.8.1. the gas day(s) on which the exchange shall take place;

- 6.8.2. the EICs of the submitting network user and the counterparty involved in the exchange;
- 6.8.3. whether it is a disposing or acquiring trade notification;
- 6.8.4. the gas quantity, expressed in kWh/d, which the network user wishes to exchange.
- 6.9. Within the timelines specified in sub-paragraph 6.6.2 and 6.7. of the Regulation, the network user may modify trade notifications, for which the matching process has not yet started, at any time.
- 6.10. Every trade notification received and not confirmed or adjusted is valid for the gas day if not modified by network user up to the time specified in sub-paragraph 6.7.2. of the Regulation.
- 6.11. For trading at trading platform, the trading platform operator may be authorised by network users to submit trade notifications on their behalf.
- 6.12. The TSO shall be entitled to submit trade notifications on behalf of a balancing service provider, if so agreed with the balancing service provider in writing.
- 6.13. Upon receipt of a trade notification, the TSO shall validate that the trade notification is formally correct, contains all necessary information and has been submitted within the allowed timelines as specified in sub-paragraph 6.6 and 6.7 of the Regulation.
- 6.14. If the TSO has validated a trade notification based on conditions set out in sub-paragraph 6.8 of the Regulation, then the value nominated is confirmed, if the TSO has validated a pair of a disposing and an acquiring trade notification for the same gas day(s)
- 6.15. TSO shall match the two trade notifications as follows:
  - 6.15.1. in case both trade notifications specify equal gas quantity, both trade notifications shall be allocated with the notified quantity;
  - 6.15.2. in case the two trade notifications specify different gas quantity, both trade notifications shall be allocated at the lower of the notified quantities ('lesser rule');
- 6.16. The TSO shall send a confirmation of the gas quantity allocated to the system users in conformity with the standard communication protocol within 30 minutes after the time when the pair of a disposing and an acquiring trade notification have been received by the TSO.

## **7. The information provision regarding the balance status of the network user**

- 7.1. The forecasting party of each country in the common balancing zone shall be responsible for providing the TSO of the national transmission system with off-take forecasts of all non-daily metered sites in that country. The information model for non-daily metered data allocation shall be the base case according to the Commission regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.
- 7.2. The forecasts of non-daily metered off-takes shall be provided in a form agreed between the forecasting party and the TSO.
- 7.3. TSO shall provide the network user with a forecast of the non-daily metered inputs and off-takes on gas day D, whereby each update shall apply to gas flows from the beginning of gas day D:
  - 7.3.1. an initial forecast by 11:00 h UTC (winter time) or 10:00 h UTC (daylight saving) on day D-1,
  - 7.3.2. a first update by 08:00 h UTC (winter time) or 07:00 h UTC (daylight saving), on day D, and

- 7.3.3. a second update 13:00 h UTC (winter time) or 12:00 h UTC (daylight saving), on day D.
- 7.3.4. no later than 13:00 h UTC (winter time) or 12:00 h UTC (daylight saving) of gas day D+1, the initial allocation for its inputs and off-takes on gas day D and its initial daily imbalance quantity.

## 8. Settlement of imbalance and neutrality charges

- 8.1. All daily imbalance charges shall be subject to a financial clearing to the financial account of the TSO.
- 8.2. The imbalance charges accumulated to the financial account shall be cleared to or by the network user on a monthly basis.
- 8.3. The daily imbalance quantity for network user's balancing portfolio for each gas day is calculated by TSO in accordance with the following formula:  

$$\text{daily imbalance quantity} = \text{inputs} - \text{off-takes}$$
- 8.4. The daily imbalance quantity for network user's balancing portfolio for each gas day D shall be allocated by TSO as follows:
  - 8.4.1. the virtual trading point transfer inputs and off-takes in the common balancing zone in accordance with requirements laid down in Section 6 of the Regulation;
  - 8.4.2. inputs and off-takes at entry and exit points of the common balancing zone based on principles laid down in section 8 of the Regulation of the network rules of the common balancing zone.
- 8.5. The daily imbalance quantity shall be rounded to kWh.
- 8.6. For each gas day D, the TSO shall determine the daily imbalance prices on gas day (D+1) as follows:
  - 8.6.1. the marginal sell price (MSP) for gas day D shall be equal to the lower of:
    - 8.6.1.1. the lowest price of any sales of title products in which a TSO was involved at relevant trading platforms in respect of gas day D;
    - 8.6.1.2. the weighted average price of all trades in title products at relevant trading platforms in respect of gas day D, multiplied by the MSP incentive factor;
  - 8.6.2. the marginal buy price (MBP) for gas day D shall be equal to the greater of:
    - 8.6.2.1. the highest price of any purchases of title products in which a TSO was involved at relevant trading platforms in respect of gas day D;
    - 8.6.2.2. the weighted average price of all trades in title products at relevant trading platforms in respect of gas day D, multiplied by the MBP incentive factor;
- 8.7. The marginal sell price and marginal buy price shall be expressed in euro/MWh and be rounded to two decimals.
- 8.8. When determining the daily imbalance prices, the TSO shall consider only title products that were traded as within-day and day-ahead products for delivery during gas day D.
- 8.9. In case it is impossible to determine either the marginal sell price or the marginal buy price as per sub-paragraph 8.6. of the Regulation, the corresponding price shall be set equal to the corresponding price applying for the gas day (D-1).
- 8.10. The MBP incentive factor and the MSP incentive factor shall be set as follows:
  - 8.10.1. the MSP incentive factor may range between a value of 0.9 and 0.95;
  - 8.10.2. the MBP incentive factor may range between a value of 1.05 and 1.1;
- 8.11. The TSO shall publish on its website the marginal sell price and the marginal buy price of gas day D no later than the end of gas day D+3.



- 8.12. The TSO shall publish on its website the MBP and MSP incentive factors by 1 November each year for the following year. Both factors may be re-adjusted by the TSO during the year, with a minimum notice time of three calendar days before the first gas day, for which the adjusted MBP and MSP incentive factors shall come into effect.
- 8.13. Based on the daily imbalance quantity and the daily imbalance prices as determined in accordance with sub-paragraph 8.9. of the Regulation, the daily imbalance charge of the network user for a gas day shall be calculated as follows:
  - 8.13.1. in case of a positive daily imbalance quantity, the daily imbalance charge shall be equal to the product of the daily imbalance quantity of the network user's balancing portfolio and the marginal sell price of the gas day, and shall be payable by the TSO to the network user;
  - 8.13.2. in case of a negative daily imbalance quantity, the daily imbalance charge shall be equal to the product of the daily imbalance quantity and the marginal buy price of the gas day, and shall be payable by the network user to the TSO;
  - 8.13.3. the daily imbalance charge shall be expressed in euro and be rounded to two decimals..
- 8.14. With the purpose to ensure financial neutrality TSO no later than 10 calendar days after the beginning of each month shall determine the neutrality charges of the previous month per gas days for each network user.
- 8.15. Neutrality charge shall be set taking into account any such costs and revenues:
  - 8.15.1. costs and revenues of TSO arising from daily imbalance charges;
  - 8.15.2. costs and revenues of TSO arising from the balancing actions;
  - 8.15.3. administrative costs of TSO arising from the balancing actions;
  - 8.15.4. other costs and revenues of TSO related to the balancing activities undertaken by the TSO.
- 8.16. For each gas day, the daily neutrality charge shall be equal to the net sum of all costs and revenues recorded to the balancing neutrality account for the previous month in accordance with sub-paragraph 8.15. of the Regulation divided by the sum of all allocated network user off-takes in the common balancing zone for the previous month. The daily neutrality charge shall be expressed in euro/MWh and be rounded to two decimals.
- 8.17. The daily neutrality charge shall have the same value for each gas day of the previous month.
- 8.18. TSO shall publish on its website daily neutrality charge for the previous month no later than 8 business days after the beginning of each month.
- 8.19. The neutrality charge attributed to each network user shall be equal to the product of daily neutrality charge as determined in accordance with sub-paragraph 8.16. of the Regulation and the sum of all network user's offtakes (including domestic exit, cross-border exit and VTP), for gas day D. The neutrality charge shall be expressed in euro, rounded to two decimals and shall be identified as a separate charge in the monthly imbalance settlement report and on the invoice.

## **9. Reporting and settlement of daily imbalance charges**

- 9.1. One business day after the end of each gas day D, the TSO shall carry out the daily settlement for gas day D. Based on the preliminary allocation of inputs and off-takes and the final allocation of virtual trading point transfers for gas day D the TSO shall determine

and communicate to the network user the network user's daily imbalance quantity for gas day D.

- 9.2. No later than 10 calendar days after the beginning of each month, the TSO shall carry out the provisional monthly settlement for the previous month (the 'delivery month'). The TSO shall determine and notify network user of the following, based on the final allocation of inputs and off-takes and the virtual trading point transfers for the delivery month:
  - 9.2.1. the network user's daily imbalance quantity for each gas day of the delivery month;
  - 9.2.2. the network user's daily imbalance charge for each gas day of the delivery month;
  - 9.2.3. the sum of the network user's daily imbalance charges for all gas days of the delivery month, which shall be paid by the network user;
  - 9.2.4. the sum of the network user's daily imbalance charges for all gas days of the delivery month, which shall be paid to the network user;
  - 9.2.5. the total amounts payable for the delivery month by and to the network user.
- 9.3. The TSO shall set out the exact forms and data exchange formats for balance settlement giving reasonable prior notice to the network user to any changes.
- 9.4. In case a network user detects any discrepancies in the information provided under daily or monthly settlement, it shall inform the TSO and specify the discrepancy without delay.
- 9.5. In case the TSO is informed by a network user of any discrepancies the TSO shall within five business days verify the corresponding calculations and:
  - 9.5.1. either provide corrected monthly settlement values to the network user; or
  - 9.5.2. provide the network user with a reasoned rejection of the network user's request.
- 9.6. No later than 10 calendar days after the beginning of the third month after delivery, the TSO shall carry out the final monthly settlement. During final monthly settlement, the network user shall receive an update of the information provided under provisional monthly settlement, based on the final allocation of inputs and off-takes, which have been made available to the TSO no later than two calendar days before the deadline for final monthly settlement.

## **10. Operational balancing**

- 10.1. The TSOs buy and sell gas for the transmission system balancing either on a trading platform or by using balancing services.
- 10.2. The TSOs shall undertake balancing actions in order to:
  - 10.2.1. maintain the transmission network within its operational limits;
  - 10.2.2. achieve at the end of gas day linepack position in the transmission network different from the one anticipated on the basis of expected inputs and off-takes for that gas day, consistent with economic and efficient operation of the transmission network.
- 10.3. When deciding upon the appropriate balancing actions, the TSOs shall follow this merit order:
  - 10.3.1. use of title products where and to the extent appropriate from the trading platforms;
  - 10.3.2. if the trading platform does not provide sufficient need for balancing the system or it is economically less efficient, products described under the balancing service agreement are used.
- 10.4. The use of trading platforms and the balancing services shall be agreed between the TSOs of the common balancing zone.

- 10.5. In order to provide the balancing services for TSOs the network user shall conclude a balancing service agreement with any of the TSO's of the common balancing zone.
- 10.6. After conclusion of the balancing service agreement the network user has the right to provide standardised product based on the conditions set out in the balancing service agreement.
- 10.7. TSO shall seek to purchase gas when the total estimated quantity of planned inputs by network users to the transmission system during the gas day is lower than the quantity of planned off-takes from the transmission system. TSOs shall seek to sell gas when the total estimated quantity of planned inputs by s network users to the transmission system during the gas day is higher than the quantity of planned off-takes from the transmission system, also taking into account the flexibility of the transmission systems in the common balancing zone.
- 10.8. Where the TSOs fail to purchase or sell all the gas needed during trading session on the trading platform of the current day, missing quantity may be acquired through the use of balancing services.
- 10.9. The TSOs shall be entitled to not to follow the merit order and use locational products, when, in order to keep the transmission system within its operational limits, gas flow changes are needed at specific entry and/or exit points and/or to start from a specific period of time within the gas day.
- 10.10. In case the responsibility of keeping the transmission network(s) within the common balancing zone in balance has been transferred to an entity, these Regulation shall apply to that entity.

## **11. Invoicing and payments**

- 11.1. If during a reporting period (month) the imbalance of the balancing portfolio of the network user is registered in at least one balancing period (gas day D) and the imbalance quantity is negative, the TSO shall issue an invoice to the network user for all negative imbalance quantities registered in the reporting period, and send it to the electronic mail address of the network user indicated in the balancing agreement by the 12th day of the month following the reporting period. The invoice shall be deemed received on the day of sending thereof.
- 11.2. If during a reporting period the imbalance of the balancing portfolio of network user is registered in at least one balancing period and the imbalance quantity is positive, the network user shall issue an invoice to the TSO for all positive imbalance quantities registered in the reporting period, and send it to the electronic mail address of the TSO indicated in the balancing agreement by the 12th day of the month following the reporting period. The invoice shall be deemed received on the day of sending thereof.
- 11.3. The neutrality charge allocated to the network user shall be invoiced together with the imbalance charge of the reporting period.
- 11.4. The invoice shall include payments to be made by the network user to the TSO. The day of sending the invoice is deemed to be the day of receipt of the invoice.
- 11.5. If there is a distinct possibility that an invoice contains an obvious error, the recipient of an invoice shall have the right to reject the invoice:
  - 11.5.1. within three business days from the receipt of the invoice, the recipient of the invoice shall notify in writing the party issuing the invoice, stating the reasons for its disagreement;

- 11.5.2. within five business days from the receipt of a corresponding notification, the party issuing the invoice shall review the invoice statement, inform the recipient of the invoice of the results of its review and, if the review concludes that the original invoice was incorrect, issue a corrected invoice.
- 11.6. All payments shall be made in euros to the account indicated by party that has issued the invoice. The day, when the funds is transferred into the current account of the TSO or of the network user respectively, shall be deemed the payment date.
- 11.7. All payments of an invoice shall become due within 10 calendar days after the issue date of the invoice. If the due date falls on a non-business day, the due date shall be the next business day.
- 11.8. 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 periods, (3) current payments.
- 11.9. In the event of late payment of all or part of an invoice, the TSO or network user issuing the invoice is entitled to charge interest on any outstanding payments. All outstanding payments shall bear interest in the amount of 0.05% for each day of delay of the amount not timely paid. Interest on late payments shall be calculated once after the end of each month and shall be invoiced with the next monthly invoice.
- 11.10. The principles on the maximum amount of contractual penalties and default interest in the country where the TSO has its registered office shall apply.

## **12. Rights and obligations of the TSO**

- 12.1. The TSO shall perform balancing calculations in a transparent and equal manner and enable the network user to access the virtual trading point.
- 12.2. TSO shall plan, manage, and settle balance in the transmission system of the common balancing zone, based on the Regulation and the balancing agreement;
- 12.3. TSO shall maintain confidentiality of any information connected to the network user or related to the conclusion of the balancing agreement and its execution in case the publication of such information could damage the interests of the network user or the maintenance of which secrecy the network user has or may have an interest in for the duration of the balancing agreement and after the expiry of the balancing agreement;
- 12.4. The TSO shall be entitled to:
- 12.4.1. to change the information technology solutions for the exchange of information set out in the balancing agreement in a reasonable manner and to require that the network user be prepared to make said changes issued by the TSO by a reasonable deadline, giving the network user prior reasonable notice to such effect;
- 12.4.2. acquire and process data of the network user and the applicant;
- 12.4.3. receive payments for the balancing provided in the amount and in accordance with the procedure set out in the Regulation.
- 12.5. In addition to the data, reports and information specifically mentioned in the Regulation, the TSO shall publish on its website, the European Network of Transmission System Operators for Gas (ENTSOG) Transparency platform and the common IT platform of the common balancing zone any other relevant information on balancing, which has to be published under applicable legislation and regulation.

## **13. Rights and obligations of the network user**

- 13.1. The network user shall at all times use reasonable endeavours to minimize its imbalance position in the common balancing zone and not to abuse the balancing system for its commercial interests or benefit. The network user shall be responsible for matching the gas input quantity with the gas off-take during the gas day. The network user shall take all necessary steps to prevent daily imbalance.
- 13.2. The network user has rights to receive information and obligation to submit information as stipulated by the Regulation.
- 13.3. The network user has rights to receive invoices of balancing and obligation to pay for balancing as stipulated by these Regulation.

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

- 14.1. The rights and obligations of the parties are laid down in the Regulation, the balancing agreement and the prevailing legal acts.
- 14.2. The parties are liable for appropriate performance of the requirements established for them in the Regulation and obligations undertaken within the scope of the balancing agreement. Liability of the parties may be limited or inapplicable only on the grounds established in the Regulation and legal acts of the country where TSO has its registered office.
- 14.3. The TSO shall be only liable for fulfilment of obligations provided for in legal acts, the Regulation and in the balancing agreement, in accordance with the procedure specified in the legal acts, the Regulation and the balancing agreement.
- 14.4. The parties shall be liable for the proper performance of the balancing agreement. Either party shall compensate losses, subject to limitations laid down in sub-paragraph 14.6. of the Regulation, incurred by the other party if the guilty party improperly performs or does not perform the balancing agreement.
- 14.5. The 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.
- 14.6. The party failing to perform in accordance with the balancing agreement and (or) the Regulation shall be liable to compensation only for direct material 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.
- 14.7. Either party shall be released from liability from non-performance of the balancing agreement if able to prove that non-performance was due to force majeure circumstances i.e. circumstances the party could not control or reasonably anticipate at the time of execution of the balancing agreement, and could not prevent the occurrence of these circumstances or consequences thereof.
- 14.8. TSO shall not be liable for any damage caused by malfunctioning of common IT platform of the common balancing zone.

#### **15. Amendment and termination of the balancing agreement**

- 15.1. The balancing agreement may be amended upon the written consent of both parties, insofar the balancing 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 balancing agreement, provided that such amendments are also coordinated between both TSOs operating in the common balancing zone. The TSO shall notify network user in writing

and post amendments to the Regulation 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 balancing 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, provided that the amended form of the balancing agreement does not violate any applicable legal acts in force. TSO shall notify network user of any amendments to the balancing agreement in writing without undue delay before the amendments become effective.
- 15.4. Either party has the right to terminate the balancing agreement if the other party improperly performs or does not perform its obligations under the balancing agreement. In such case the party wishing to terminate the balancing agreement on such grounds shall at least 30 calendar days before the termination of the balancing agreement inform the other party of its intention to terminate the balancing agreement in writing, specifying the reason of termination of the balancing agreement at least 30 calendar days in advance and provided that the party wishing to terminate the balancing agreement 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. The balancing agreement shall be deemed terminated as of the day specified in the notice.
- 15.5. The network user may unilaterally terminate the balancing agreement with a written notice to the TSO at least 30 days before terminating the balancing agreement, if the network user intends no longer to use the commercial balancing in the common balancing zone under the balancing agreement.
- 15.6. The party is entitled to terminate the balancing agreement without notice if the other party is declared bankrupt or becomes insolvent, suspends its payments or is subject to compulsory or voluntary liquidation.
- 15.7. Termination of the balancing agreement shall not relieve the parties from the performance of all obligations emerged during the validity period of the balancing agreement.

## **16. Declarations of intent**

- 16.1. All notifications, consents, approvals and other declarations of intent related to the performance of the balancing agreement or disputes arising from the balancing agreement, as well as other notifications (hereinafter - declarations of intent) shall be submitted to the other party in written, reproducible form, except in those instances where these notifications are informational in nature where transmission to the other party does not incur legal consequences.
- 16.2. A declaration of intent shall be deemed to have been received if it is signed for by the other party, or the other party is informed in writing via e-mail to the email address noted in the balancing agreement or another e-mail communicated in writing to the other party, or forwarded via registered letter through a post office. All declarations of intent relating to performance of the balancing agreement which do not deviate from the terms of the balancing agreement shall be deemed valid and binding on the parties once they have been given to the persons named in the balancing agreement or to duly appointed and authorised persons.

## **17. Force majeure**

- 17.1. TSO and network user shall not be held liable for a full or partial non-performance of the balancing 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 balancing 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 balancing agreement.
- 17.2. Individual obstacles to the performance of the balancing agreement obligations having occurred at the time when the defaulted TSO or network user delayed the performance of its balancing 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 balancing agreement obligations. In such case the termination of the balancing agreement shall only be possible by mutual agreement of the TSO and the network user.
- 17.5. The TSO and network user shall immediately, but not later than 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 balancing 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 endeavour to ensure as soon as possible that normal performance of the balancing agreement is re-established.

## **18. Confidentiality**

- 18.1. All data and information that relates to the network user shall be considered 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. The TSO and the network user shall be entitled to disclose any data, including confidential information, to law enforcement agencies and other governmental institutions where so required under applicable laws and regulations.
- 18.3. The TSO shall be entitled to provide information pertaining to the performance of the balancing agreement obligations to other system operators insofar as necessary for a proper compliance with the Regulation and the balancing agreement.
- 18.4. The confidentiality obligations under this section are binding upon the parties for the entire duration of the balancing 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. Applicable law and Dispute settlement**

- 19.1. All disputes and disagreements (hereinafter – a Dispute) arising in relation to the implementation and application of the Regulation 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 authorised to hold negotiations related to the Dispute on behalf of the party.
- 19.2. In case a TSO and the network user are unable to resolve a Dispute through negotiations within 30 business days from its emergence (unless the authorised 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.

## **20. Closing provisions**

- 20.1. The Regulation and the balancing agreement exist in both national language (according to the place where the TSO has its registered office) and the English versions. The official language of business shall be national and English. In case of discrepancies or inconsistencies between different language versions of the balancing agreement, the English language version shall prevail.
- 20.2. Procedures, document forms, and other requirements specified in the Regulation are published on the internet website of the TSO.
- 20.3. The network user who has a valid agreement in relation to the balancing in the transmission system with the TSO at the time of entry into force of the Regulation and who is wishing to use the commercial balancing in the common balancing zone shall be under the obligation to submit to any TSO operating in the common balancing zone the application and documents set out in section 3 of the Regulation and to conclude new balancing agreement.
- 20.4. The TSO shall, in accordance with the Regulation, evaluate applications of applicants to acquire the rights to use the commercial balancing in the common balancing zone submitted to the TSO by the day of coming into force of these Regulation.
- 20.5. The Regulation shall come into force on 1 November 2019. Except for section 3 and 4, the Regulation shall apply as for 1 January 2020.



**Annex 1**

**Rules for the credit management and collaterals**

1. The TSO shall evaluate the information established in sub-paragraph 3.1.7. of the 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 balancing agreement or during its validity.
2. The network user after the first full calendar year since the conclusion of balancing 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 balancing agreement, or during duration of the balancing 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 balancing 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 balancing 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 balancing 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 balancing 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 balancing agreement in the summed amount of two highest differences of monthly payment by the network user for negative imbalance and monthly payment of the TSO for positive imbalance to the network user over the last 12 months. If the period of use of the balancing 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 balancing 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 balancing in accordance with the procedures laid down in the Regulation and the balancing agreement 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.
13. Upon termination of the balancing 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.