

# **Annex 1 – Balancing Product Description**

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## 1 Product features

- 1.1 Balancing service products referred to in this Balancing Product Description are External System Balancing Transactions under which a Provider undertakes to ensure the availability to sell gas to (System Buy) or receive gas from (System Sell) the Transmission System Operator throughout the relevant Contract Period agreed pursuant to section 1.4 below.

During the relevant Contract Period the Provider has an obligation to supply and/or receive the agreed gas quantity at a constant hourly rate on a pre-defined maximum number of Call Days as specified in the relevant invitation to tender on receiving an instruction to this effect from the Transmission System Operator ("**Call Order**"). Upon each case the order starts from the relevant **Call Hour**, i.e. the hour from which the Provider is instructed to sell or receive gas up until the end of the relevant gas day, i.e. for a maximum of twenty-four (24) hours per gas day and a minimum of one (1) hour per gas day ("**Call Period**").

- 1.2 In the terms of each invitation to tender the Transmission System Operator shall specify the relevant number of "**Call Days**", i.e. the number of gas days in the relevant Contract Period to which the invitation to tender relates on which Providers are required to supply gas to the Transmission System Operator on receiving a Call Order from the Transmission System Operator.
- 1.3 Call Orders will be issued by the Transmission System Operator in compliance with a lead time ("**Call Lead Time**") of no less than three (3) hours ahead of the start of the relevant Call Hour. Call Orders instructing a Provider to supply or receive gas at varying hourly rates over the course of a Call Period and/or for a period ending before the end of the relevant gas day are not permitted.
- 1.4 The **Contract Period**, i.e. the period throughout with a Provider is required to procure availability of the contracted Balancing Product, may correspond a week, a month, a quarter, a half-year or a year. The Parties may also agree shorter periods covering only a part of the above durations in individual cases. The Contract Period will in each case commence at the start of the first gas day of the relevant Contract Period (05:00 UTC (wintertime) or 04:00 UTC (daylight saving time)) and end on the last gas day of the relevant Contract Period (05:00 UTC (wintertime) or 04:00 UTC (daylight saving time)).

## 2 Bid size

- 2.1 All bids submitted for tendering (each "**Bid**") must specify a delivery rate in MWh/h to be expressed in whole numbers. The minimum bid size is ten (10) MWh/h. The Transmission System Operator shall have a right to issue Call Orders for the full bid size specified in a Bid or only a part of a Bid.

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### 3 Pricing

- 3.1 In each Bid Providers may specify a capacity charge covering the total delivery rate offered in the Bid for the duration of the entire Contract Period agreed pursuant to section 1.4 above to remunerate the Provider for its availability to supply gas to (System Buy) or receive gas from (System Sell) the Transmission System Operator. Where a capacity charge is specified, it will be applied constantly throughout the relevant contract period (i.e. it is not subject to variation). A capacity charge must always be a positive price and will be paid irrespective of whether the Transmission System Operator issues any Call Orders or not. Where a Provider fails to specify a capacity charge, the applicable capacity charge will be recorded as zero (0).
- 3.2 In each Bid Providers must specify a commodity charge (in EUR/MWh) for the supply (System Buy) and/or receipt (System Sell) of gas. In both cases the commodity price will be a positive price, which, in the case of gas being supplied by the Provider (System Buy), the Transmission System Operator shall pay to the Provider, and which, in the case of gas being received by the Provider (System Sell), the Provider shall pay to the Transmission System Operator.

### 4 Bidding Period and Content of Bids

- 4.1 In response to each invitation to tender published for Balancing Products, Providers may submit Bids for the supply (System Buy) and/or receipt (System Sell) of gas.
- 4.2 Providers will in each case have a period of at least ten (10) Business Days to submit their Bids pursuant to section 4.1 above ("**Bidding Period**"). The start of each Bidding Period will be announced on the Transmission System Operator's website (<http://www.kaasumarkkina.fi>) no later than one (1) week ahead of the start of the Bidding Period in question.
- 4.3 All Bids must be complete, placed in accordance with the terms set out in the relevant invitation to tender published by the Transmission System Operator and not be subject to any conditions or reservations, and must be submitted by sending an email to the Transmission System Operator at [info@kaasumarkkina.fi](mailto:info@kaasumarkkina.fi). Each Bid must specify at least the following information:
- The identity of the Provider,
  - The applicable bid size, i.e. the hourly quantity offered to be supplied (System Buy) or received (System Sell) with due regard to the minimum bid size set out in section 2.1 of this Balancing Product Description in conjunction with the terms set out in the relevant invitation to tender,

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- The entry/exit point where the Provider offers to supply gas (Imatra entry point, Balticconnector entry/exit point, LNG entry point or one or more specific exit points in the exit zone),
- the bid's period of validity,
- the commodity charge (in EUR/MWh) offered pursuant to section 3.2 of this Balancing Product Description,
- the capacity charge in EUR for the entire bid size.

4.4 Providers have the right to amend or withdraw any Bid previously placed up until the end of the relevant Bidding Period. Once a Bidding Period has ended, all Providers will be bound by their Bids. Except as provided in section 4.5 below, the amendment or withdrawal of Bids may only be declared by sending an email to [info@kaasumarkkina.fi](mailto:info@kaasumarkkina.fi).

4.5 The Transmission System Operator may invite supplemental tenders where it becomes aware of a system balancing requirement that cannot be met with the Contract Period set out in section 1.4 above, the requirements set out for Bidding Periods in section 4.2 or the entry/exit points as offered by the Providers according to section 4.3 above and this would mean that the required response will not be provided in due time or location. In any such supplemental tender invitation the Transmission System Operator shall have the right to specify a shorter Contract Period than provided in section 1.4 above, a Bidding Period other than defined in section 4.2 above and/or entry/exit points more restricted than presented in section 4.3 above, and the Transmission System Operator shall have the right to announce the start of the Bidding Period on its website (<http://www.kaasumarkkina.fi>) at shorter notice than usually required.

## 5 Formation of Contract by Acceptance of Bid

5.1 The contracting will be done according to Projected Cost presented in section 5.3.

5.2 The Projected Cost is determined for each based on expected service duration over the Contract Period. The expected service duration is calculated by the Transmission System Operator based on the Transmission System Operator's estimation of the balancing service requirements for the Contract Period.

5.3 a) The Projected Total Cost of each Bid for the supply of gas (System Buy) by a Provider is determined according to the following formula:

$$PA_{\text{buy}} = \text{Cap} + \text{Com} \times \text{BS} \times \text{SD},$$

Where

$$PA_{\text{buy}} = \text{Projected Cost in EUR per Bid}$$

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- Cap = Capacity charge offered pursuant to section 3.1, EUR per Contract Period
- Com = Commodity charge in EUR/MWh offered pursuant to section 3.2
- BS = Bid size, i.e. the delivery rate in MWh/h offered in the Bid
- SD = Projected service duration in hours; the service duration expected in each case is calculated by the Transmission System Operator based on the Transmission System Operator's estimation of the balancing service requirements for the Contract Period.

b) The Projected Cost of each Bid in EUR/MWh for the supply of gas by a Provider (System Buy) is determined according to the following formula:

$$PC_{\text{buy}} = PA_{\text{buy}} / (SD \times BS)$$

Where

$$PC_{\text{buy}} = \text{Projected Cost in EUR/MWh per Bid}$$

$$PA_{\text{buy}} = \text{As defined in section 5.3 a) above}$$

$$BS = \text{As defined in section 5.3 a) above}$$

$$SD = \text{As defined in section 5.3 a) above}$$

5.4 a) The Projected Total Cost of each Bid for the receipt of gas (System Sell) by a Provider is determined according to the following formula:

$$PA_{\text{sell}} = (\text{Cap} - \text{Com} \times BS \times SD),$$

Where

$$PA_{\text{sell}} = \text{Projected Cost in EUR per Bid}$$

$$\text{Cap} = \text{As defined in section 5.3 above}$$

$$\text{Com} = \text{As defined in section 5.3 above}$$

$$BS = \text{As defined in section 5.3 above}$$

$$SD = \text{As defined in section 5.3 above}$$

b) The Projected Cost of each Bid in EUR/MWh for the receipt of gas by a Provider (System Sell) is determined according to the following formula:

$$PC_{\text{sell}} = PA_{\text{sell}} / (SD \times BS)$$

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Where

$PC_{\text{sell}}$  = Projected Cost in EUR/MWh per Bid

$PA_{\text{sell}}$  = As defined in section 5.4 a) above

BS = As defined in section 5.3 above

SD = As defined in section 5.3 above

- 5.5 The Transmission System Operator will accept as many bids as are required to fully meet the system balancing requirements as specified in the corresponding invitation to tender in ascending order of their Projected Cost in EUR/MWh, starting with the bid available to the Transmission System Operator at the lowest cost. Where this would result in a situation where a system balancing requirement cannot be appropriately met, i.e. the quantity to be contracted based on the bid sizes offered would exceed the Transmission System Operator's requirement, the Transmission System Operator will accept such combination of bids that meets the Transmission System Operator's requirement at the lowest cost.
- 5.6 Where the Transmission System Operator accepts a Bid, the Transmission System Operator will provide notice of acceptance to the relevant Provider by email. Upon the acceptance of a Bid by the Transmission System Operator, a **Balancing Transaction Agreement** will be created between the Transmission System Operator and the relevant Provider for the duration of the relevant Contract Period. Bids that have been awarded with a Balancing Transaction Agreement are called **Contracted Bids**.
- 5.7 Providers shall have no legal claim against the Transmission System Operator to require the Transmission System Operator to accept any Bid.

## 6 Issuance of Call Order

- 6.1 Where a Balancing Transaction Agreement has been created between a Provider and the Transmission System Operator following a submission of a Bid by the Provider in accordance with section 4 above and acceptance of that Bid by the Transmission System Operator in accordance with section 5.4 above, the Transmission System Operator shall be entitled to instruct the Provider to supply (System Buy) or receive (System Sell) gas (as the case may be) at the agreed hourly rate in accordance with the description of the relevant Balancing Product provided in section 1 of this Balancing Product Description on any given day throughout the relevant Contract Period up to the specified maximum number of Call Days by issuing Call Orders to the Provider. Call Orders will be issued by the Transmission System Operator in accordance with section 3.4 of the Terms and Conditions for Balancing Services.
- 6.2 Call Orders for the supply (System Buy) or receipt (System Sell) of gas by a Provider may be issued by the Transmission System Operator up to three (3) hours before the start of the relevant Call Hour.

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- 6.3 Providers shall have no legal claim against the Transmission System Operator to receive any Call Order from the Transmission System Operator for the supply (System Buy) or receipt (System Sell) of gas.

## 7 Order for the Issuance of Call Orders (Merit Order)

- 7.1 Prior to issuing a Call Order the Transmission System Operator will in each case create separate **Merit Order Lists** for the supply (System Buy) or receipt (System Sell) of gas by Providers. Only offers that are suitable to cover the specific demand will be considered. In the case of a locally limited control energy demand, the Transmission System Operator may consider offers from specific physical entry/exit points and thus must disregard offers delivering in other physical locations.
- 7.2 All Contracted Bids will be included in the Merit Order List and arranged in order of the commodity charge in EUR/MWh offered in each case pursuant to section 3.2 of this Balancing Product Description. Contracted Bids for the supply of gas (System Buy) will be arranged starting with the lowest commodity charge an ending with the highest commodity charge. Contracted Bids for the receipt of gas (System Sell) will be arranged starting with the highest commodity charge an ending with the lowest commodity charge. Where two or more Contracted Bids state the same commodity charge, those submitted earlier will be placed ahead of those submitted later.
- 7.3 The Contracted Bid ranking in the first place in a Merit Order List will be called first, followed by the one ranking in second, etc. until the Transmission System Operator's system balancing requirement in question has been fully met or all available bids and Contracted Bids have been exhausted.
- 7.4 The last Contracted Bid to be called by the Transmission System Operator according to the Merit Order List may be called in full or in part of its bid size to match the system balancing requirement in question.
- 7.5 The Transmission System Operator reserves the right to issue Call Orders in an order other than defined by the relevant Merit Order List where necessary to ensure network safety and/or stability, especially where system balancing requirement relates to a particular location ("**Locational Balancing Requirement**"). In the event of a Locational Balancing Requirement, the Transmission System Operator shall have the right to only consider those Contracted Bids that are for the supply (System Buy) or receipt (System Sell) of gas at the required physical entry/exit points and in so doing disregard any Contracted Bids relating to different physical entry/exit points.



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## 8 Processing of Call Orders: VTP trade notifications

- 8.1 For each Call Order issued by the Transmission System Operator, the Transmission System Operator will on behalf of the relevant Provider as well as in its own name make a single-sided VTP trade notification for a gas quantity equal to the quantity specified in the relevant Call Order. Where the Transmission System Operator has issued several Call Orders to a Provider in respect of a gas day, the Transmission System Operator will aggregate the corresponding quantities, with only the aggregate quantities being notified for delivery from/to (as the case may be) the balancing group of the Provider.
- 8.2 Where a Call Order is issued for the supply (System Buy) of gas by a Provider, the Transmission System Operator will submit an output trade notification at the VTP for gas to be offtaken from the balancing group the Provider ("**VTP Output Trade Notification**"). Where a Call Order is issued for the receipt (System Sell) of gas by a Provider, the Transmission System Operator will submit an input trade notification at the VTP for gas to be delivered to the balancing group the Provider ("**VTP Input Trade Notification**").
- 8.3 Where the Transmission System Operator levies a fee for the use of the VTP, this VTP fee will also be applied to trade notifications made under System Balancing Transaction Agreements.

## 9 Penalty

- 9.1 If a Provider fails to comply with its obligations under a Contracted Bid, the Provider shall pay a penalty to the Transmission System Operator in accordance with the following provisions. This shall not apply where the Provider cannot be held responsible for the breach in question.
- 9.2 If the Provider has failed to comply with its obligation to ensure its availability to supply or receive gas under a Contracted Bid during a Contract Period but outside a Call Period, the amount of the penalty to be applied in respect of each hour in which the Provider has breached its obligation will be determined as follows:

$$PY_h = BS \times (Cap / h_{CP})$$

Where

$PY_h$  = The amount of the penalty payable in respect of the hour of the Contract Period in which the Provider has breached its obligations

$BS$  = The bid size agreed pursuant to section 2.1 of this Balancing Product Description

$Cap$  = The capacity charge agreed between the Transmission System Operator and the Provider pursuant to section 3.1 of this Balancing Product Description

$h_{CP}$  = The total number of hours in the relevant Contract Period

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- 9.3 If the Provider has failed to comply with its obligation to supply (System Buy) or receive (System Sell) gas under a Contracted Bid during any Call Period, the penalty to be applied shall be an amount equal to ten (10) percent of the total fee payable in respect of the Call Order under section 6 above, i.e. ten (10) percent of the amount that would have been payable
- to the Provider by the Transmission System Operator if the Provider had duly complied with its obligations in the case of a Call Order for the supply (System Buy) of gas by the Provider, or
  - to the Transmission System Operator by the Provider if the Provider had duly complied with its obligations in the case of a Call Order issued for the receipt (System Sell) of gas by the Provider.

Any such penalty shall be payable in respect of each hour of the relevant Call Period in which the Provider has been in breach of its obligation to supply (System Buy) or receive (System Sell) gas under the Contracted Bid, whether in whole or in part. However, the total penalty payable in each case shall be limited to one hundred percent (100) of the total fee that would have been payable in respect of the Call Order in question if the Provider had duly performed its obligations.

- 9.4 The foregoing shall not preclude the Transmission System Operator from asserting any further claims the Transmission System Operator may have against the Provider. Any penalty payable pursuant to this section shall be offset against any damages payable to the Transmission System Operator by the Provider.