Capacity Allocation at Balticconnector Interconnection Point

1 Definitions

Adjacent System means another transmission system that is connected to the Finnish Natural Gas System at a particular interconnection point operated by an adjacent transmission system operator.

Available Capacity means the capacity which can be allocated during the Renomination cycles after the Nomination process.

Business Day means Monday through Friday, except the legal public holidays.

Capacity Allocation Rules means these rules on Capacity Allocation at Balticconnector Interconnection Point.

Capacity Hoarding means (i) the acquisition of all or part of the available transmission capacity (ii) without using it or without using it effectively.

Confirmed Nomination means the quantity of gas confirmed by Transmission System Operator with System Responsibility to be scheduled or re-scheduled to flow on Gas Day D.

Double-sided Nomination means that both Shippers must submit nominations independently to their respective Transmission System Operators on each side of the Balticconnector Interconnection Point.

Effective Nomination means the latest Nomination received by the Transmission System Operator with System Responsibility by 'no later than' deadline.

Finnish Natural Gas System means the Finnish natural gas transmission network and the distribution networks connected to it. The Finnish Natural Gas System also includes all liquefied natural gas processing facilities connected to these networks, gas production facilities and gas storage facilities from renewable energy sources, and gas consumption sites.

Initiating Transmission System Operator means the Transmission System Operator initiating the Matching process by sending the necessary data to the Matching Transmission System Operator.

Lesser Rule means that, in case of different processed quantities at either side of an interconnection point, the confirmed quantity will be equal to the lower of the two processed quantities.

Matching is the process of comparing and aligning processed quantities of gas for Shippers at both sides of Balticconnector interconnection point, which results in confirmed quantities for the Shippers.

Matching Transmission System Operator means the Transmission System Operator performing the Matching process and sending the result of the Matching process to the Initiating Transmission System Operator.

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Nomination means the prior reporting by the Shipper to the Transmission System Operator of the actual flow that the Shipper wishes to inject into or withdraw from the system.

Operational Balancing Account means an account between adjacent transmission system operators, to be used to manage steering differences at an interconnection point in order to simplify gas accounting for Shippers involved at the interconnection point.

REMIT Regulation means Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency.

Renomination Cycle means the process carried out by the Transmission System Operator in order to provide a Shipper with the message regarding the Confirmed Nominations following the receipt of a Renomination.

Renomination is a notification a Shipper can use to amend its previously Confirmed Nominations with effect for the entire Gas Day or the remaining hours of the Gas Day.

Shipper's Counterparty means a Shipper in an Adjacent System delivering natural gas to or receiving natural gas from a Shipper at an interconnection point. A Shipper and Shipper's Counterparty form together a Shipper Pair.

Shipper Group means the companies (a)-(e) set forth in Section 7 (Effective Functioning of the Gas Market).

Shipper Pair has the meaning set forth under the definition of "Shipper's Counterparty".

Technical Capacity means the maximum firm capacity that the Transmission System Operator can offer to the Shippers, taking into account of system integrity and the operational requirements of the transmission network. The Technical Capacity of Balticconnector is allocated between the Technical Capacity allocated implicitly for bilateral ('Over-the-Counter', OTC) trading and Technical Capacity allocated for gas exchange(s) for cross-border trading. The Technical Capacity available for bilateral ('Over-the-Counter', OTC) trading is the maximum capacity that the Shipper can nominate.

Technical Capacity allocated for gas exchange(s) for cross-border trading means the share of Technical Capacity which is allocated by the TSO for the gas exchanges(s) for cross-border trading.

Technical Capacity allocated implicitly for bilateral ('Over-the-Counter', OTC) trading means the share of Technical Capacity which is allocated by the TSO for the Shippers to be nominated or renominated.

Transmission System Operator with System Responsibility (hereinafter 'TSO') means Gasgrid Finland Oy, the Finnish transmission system operator with system responsibility.

Transparency Platform means a Union-wide platform maintained by ENTSOG where all Transmission System Operators for gas shall make their relevant data publicly available.

Virtual Reverse Flow means virtual, administrative flow netted off from the physical forward flow meaning it can be allocated when forward flow capacity has been nominated.

2 Relationship with framework agreement between the Shipper and the Transmission System Operator with System Responsibility

These rules on Capacity Allocation at Balticconnector Interconnection Point are an integral part of the framework agreement entered into between the Shipper and the TSO. The framework agreement governs the responsibilities, rights and obligations between the contracting parties.

The Shipper shall ensure that in all respects it will operate and comply with these rules, related agreements and market rules as well as all related applicable laws.

3 Capacity Allocation at Balticconnector Entry and Exit point

The TSO shall offer day-ahead and within-day capacity products (as defined in Article 9 of the Commission Regulation (EU) No 2017/459 of 16 March 2017 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems) at Balticconnector Entry and Exit Points. All capacity products shall be firm.

All Technical Capacity shall be allocated between the two following components:

a) The Technical Capacity allocated for bilateral trading where the allocation is based on Shippers' Confirmed Nominations; and
b) The Technical Capacity allocated for gas exchange(s) for cross-border trading.

3.1 Capacity Allocation based on Confirmed Nominations

Part of the Technical Capacity shall be allocated to a Shipper as a Technical Capacity allocated for bilateral trading according to the Shipper's Confirmed Nominations through a process described in Section 4 (Nominations and Renominations), in Section 5 (Matching) and in Section 6 (Congestion and interruption management).

3.2 Capacity Allocation for trades concluded on a gas exchange

Part of the Technical Capacity of Balticconnector shall be made available to be allocated by gas exchange(s) that have concluded an Agreement on Capacity Allocation with the TSO. Day-ahead and within-day capacity quotas for this shall be determined by the TSO. The TSO shall provide information on the shares of Technical Capacity allocated for bilateral trading and the Technical Capacity allocated for the gas exchange(s) primarily through UMM platform, but also on the website of the TSO.

4 Nominations and Renominations

A Shipper shall submit Nominations and/or Renominations of the quantities of gas to be delivered on a Gas Day at Balticconnector Interconnection Point. Confirmed Nomination shall be the condition for gas transfers at Balticconnector. Double-sided Nomination shall be used as the nomination procedure.

The Shipper shall state the following information in submitting Nominations and Renominations:

a) Gas Day

b) Direction of the gas flow
c) Gas Quantities expressed as kWh/hour, that the Shipper intends to utilize at Balticconnector Entry or Exit point each hour of the Gas Day, together with the participant identifier for the Shipper's Counterparty.

The TSO may reject a Nomination or Renomination, if it contains incomplete or erroneous information, if the Nomination or Renomination has been received by the TSO after the 'no later than' deadline applied or if the submitter of the information does not have the right to submit Nominations or Renominations. The submitter of the information does not have a right to submit Nominations or Renominations, if the submitter is not authorized to send Nominations or Renominations on behalf of a Shipper registered to the system of the TSO.

For the sake of clarity, the TSO's process of confirming or rejecting nominations and renominations is solely applicable on activities taking place within the Finnish Natural Gas System it governs, and consequently only applicable on actions taken by market participants registered in Finland.

Furthermore, in order to ensure a fair and equal allocation of the Technical Capacity allocated for bilateral trading in all situations, even in case of congestion, a Shipper and its Shipper Group companies must refrain from any direct or indirect act or series of acts (including but not limited to, a default, breach, wilful or intentional act or omission), that would result in Shipper's or Shipper Group's nominated quantities exceeding the Technical Capacity allocated for bilateral trading. The TSO shall have the right to cancel any such Nomination(s) of a Shipper or a Shipper Group that exceed the Technical Capacity allocated for bilateral trading.

Shipper accepts that if it directly or indirectly has links to companies described in Section 7 (Effective Functioning of the Gas Market), those companies are to be regarded as part of its Shipper Group. Furthermore, Shipper accepts that the TSO will aggregate Shipper's and its Shipper Group's nominated quantities for the purposes of determining whether Shipper and its Shipper Group remain within the Technical Capacity allocated for bilateral trading.

If the TSO has a valid reason to suspect that the Shipper has not provided accurate information about its connection(s) to a Shipper Group company or companies, the TSO shall have the right to audit or to appoint an external auditor to conduct an audit of the structural and contractual links the Shipper may have consisting of a Shipper Group as defined in Section [7]. A Shipper who is subject to such audit shall cooperate with the TSO or the auditor, as the case may be, and provide all relevant documentation and information that is needed to verify the possible links between the Shipper and a Shipper Group. In case the Shipper's connection(s) to a Shipper Group is confirmed by the audit, thus also confirming that the Shipper has failed to provide the information as required in Section 7, the Shipper shall be responsible for the expenses caused by the audit. The findings of the audit will be taken into account when determining the aggregated nominations of a Shipper Group.

4.1 Nominations

A Shipper shall submit Nominations for the TSO no earlier than on Gas Day D-400 and no later than Gas Day D-1 at 13.00 UTC (winter time) or at 12.00 UTC (daylight saving time). A Nomination submitted may be corrected until the end of the above-mentioned time limit. The latest Nomination submitted by 'no later than' deadline shall be considered as Effective Nomination. The decisive factor for Nomination processing of

the TSO is the timestamp when the TSO has received the Nomination submitted by the Shipper. Effective Nomination shall be processed in Matching process described in Section 5.

Shippers' Nominations must be equal ('flat') for all hours of the Gas Day. In the conversion of daily volumes into hourly volumes for Nomination, the smallest acceptable unit is 1 kWh. Possible remainders of the unit conversion must be placed on the last hour of the Gas Day. The Shipper's or Shipper Group's aggregated Nominations must not exceed the Technical Capacity allocated for bilateral trading. The Shipper Pair must submit netted Nominations. For instance, if the Shipper Pair has planned to submit 50 units to Entry direction and 20 units to Exit direction, the Shipper Pair must submit a netted Entry Nomination of 30 units.

4.2 Renominations

Even if a Shipper does not submit Nominations by the Nomination submission time limit, the Shipper shall have the opportunity to submit Renominations. The TSO shall start a Renomination Cycle at the start of every hour within the Renomination period which starts at 15:00 UTC (winter time) and 14:00 UTC (daylight saving time) on Gas Day D-1.

Renominations received between 13:00 UTC (winter time) and 12:00 UTC (daylight saving time) and 15:00 UTC (winter time) and 14:00 UTC (daylight saving time) on Gas Day D-1 shall be processed by the TSO as part of the first Renomination Cycle.

The Shipper's Renominations that have been received between 13:00 UTC (winter time) and 12:00 UTC (daylight saving time) on Gas Day D-1 and 3:00 UTC (winter time) and 2:00 UTC (daylight saving time) on Gas Day D-1 shall be made for the whole Gas Day D. Any Renominations submitted after that time limit shall be made for the remaining hours of the Gas Day. The smallest acceptable unit is 1 kWh. Possible remainders of the unit conversion must be placed on the last hour of the Gas Day. The last possible Renomination for the last hour of the Gas Day can be submitted by the Shipper and received by the TSO on Gas Day D by 2:00 UTC (winter time) and by 1:00 UTC (daylight saving time).

Shippers' Renominations for Balticconnector Entry and Exit points must be equal ('flat') for each remaining hour of the Gas Day. Renomination shall take effect starting from the hour from which the Renominations submitted during the Renomination Cycle shall take effect. For instance, renomination submitted at 17:25 on Gas Day D shall be submitted for the hours starting from 20:00 until the end of the Gas Day. The Shipper Pair must submit netted Renominations. The Shipper's or Shipper Group's aggregated Renominations must not exceed the Technical Capacity allocated for bilateral trading. If Shipper's Renomination exceeds the Available Capacity, the TSO reduces the Renominations to the Available Capacity before capacity allocation. The latest Renomination submitted during the Renominations Cycle shall be considered as Effective Renomination. Effective Renomination shall be processed in Matching process described in Section 5.

5 Matching

Before and during the Gas Day the TSO in Finland shall perform continuous Matching as follows:

a) The latest Nominations and Renominations of the Shipper for the Entry point of Balticconnector for the Gas Day shall be compared to the latest Nominations and Renominations of the Shipper's Counterparty in the Adjacent System; and

b) The latest Nominations and Renominations of the Shipper for the Exit point of Balticconnector for the Gas Day shall be compared to the latest Nominations and Renominations of the Shipper's Counterparty in the Adjacent System.

If the Matching is performed based on Renominations which have been received after 3:00 UTC (winter time) and 2:00 UTC (daylight saving time) on Gas Day D-1, the matched renominated quantities shall enter into force for the remaining hours of the Gas Day. If the Shipper's most recent Nomination or Renomination does not correspond to the most recent Nomination or Renomination made by its Counterparty, the Nomination shall be reduced to the lower of the values nominated or renominated according to Lesser Rule.

5.1 Comparison to Available Capacity

The TSO shall compare the matched Nominations with Balticconnector's Technical Capacity allocated for bilateral trading and Renominations with the Balticconnector's Available Capacity. The TSO shall offer virtual capacity if enabled by netted Nominations or Renominations. The matched Nominations or Renominations shall be confirmed as such, if the Balticconnector's Technical Capacity allocated for bilateral trading or Available Capacity exceeds the netted Nominations or Renominations.

5.2 Capacity Allocation and Capacity Surrender

All Shippers with Confirmed Nominations are allocated with capacity. Capacity allocated to a Shipper shall be considered as surrendered after Matching in part of quantities renominated downwards by the Shipper or the Shipper's Counterparty. Surrendered capacity becomes available to other Shippers as part of Available Capacity.

5.3 Schedule for Confirmed Nominations

The TSO sends Confirmed Nominations to Shippers within two (2) hours from the Nomination deadline or from the start of the followingRenomination Cycle. For instance, Renomination submitted at 16:30 on Gas Day D shall be processed by 19:00. The Confirmed Nominations remain confirmed meaning that Confirmed Nominations or Renominations shall not be changed during Renomination Cycles.

5.4 Incentive for the efficient use of Available Capacity

A Shipper may renominate downward in the Balticconnector free of charge within the tolerance. For amounts exceeding this limit, the Shipper shall pay an underutilisation fee in accordance with the up-to-date price list of the TSO. The underutilisation fee is effective to Shippers on those Gas Days when there has been congestion on the Gas Day meaning the Shippers' Nominations or Renominations have been reduced on a pro rata basis according to Section 6.2. If there is no congestion in the allocation based on Nominations submitted by D-1 at 13.00 UTC (winter time) or at 12.00 UTC (daylight saving time), but congestion occurs in Renomination Cycles for Gas Day D, the underutilization fee is effective starting from the Renomination Cycle congestion occurs.

The tolerance will be 50 000 kWh/h in normal operational conditions. The TSO reserves the right, for the sake of fulfilling the system responsibility according to the Article 29 of Finnish Natural Gas Market Act, to adjust the tolerance between the range of 10 000 - 50 000 kWh/h, if systematic downward renominations during congestion situation cause uncontrollable physical imbalance leading to the situation where the TSO has to perform physical balancing actions. The TSO shall inform market participants at least three (3) full

Business Days before the adjusted tolerance will be set in force. Any change in the tolerance shall be communicated to market participants primarily through UMM platform, but also on the website of the TSO.

6 Congestion and Interruption Management

6.1 Virtual reverse flow

In addition to physical capacity, the TSO offers virtual capacity based on Virtual Reverse Flow at Balticconnector to increase Available Capacity. The volume of virtual capacity offered in a Nomination cycle and in Renomination cycles depend on the netted volume of Confirmed Nominations as follows:

> Volume of virtual capacity offered in a Nomination and Renomination cycles = - Volume of netted Confirmed Nominations (excl. Confirmed Nominations by the gas exchange)

For example, if the netted Confirmed Nominations (excl. Confirmed Nominations by the gas exchange) were zero, no virtual capacity would be offered. If the netted Confirmed Nominations (excl. Confirmed Nominations by the gas exchange) were 10 GWh from Estonia to Finland, the volume of virtual capacity would be 10 GWh to the direction from Finland to Estonia.

The offering of virtual capacity using the above method entails that, if Balticconnector becomes physically congested, the TSO will not necessarily be able to confirm Renominations downwards (in full, partially (pro rata) or at all) to the non-congested direction since this capacity has already been reserved.

The TSO informs the Shippers on the volume of Available Capacity on Gasgrid Portal. The information on Available Capacity is updated without delay after Confirmed Nominations are sent out to Shippers. The information on Available Capacity contains the volume of available Technical Capacity allocated for bilateral trading and virtual capacity summed up.

6.2 Management of physical congestion

If Balticconnector is physically congested, i.e., the combined total of matched Nominations exceeds Balticconnector's Technical Capacity allocated for bilateral trading incl. possibly offered virtual capacity or the combined total of matched Renominations exceeds Balticconnector's Available Capacity, Nominations shall be reduced on a pro rata basis to the capacity offered by the TSO.

As regards matched Renominations, any capacity allocated to previous Confirmed Nominations shall be taken into account. Only Available Capacity remaining in Balticconnector may be allocated to Renominations. If Available Capacity is sufficient to cover the change in quantities to be transmitted on the basis of Renominations, the Renominations shall be accepted in full. If only a part of renominated quantities can be transmitted, any remaining Available Capacity shall be divided between all Renominations on a pro rata basis insofar as the quantity renominated by each Shipper differs from the Shipper's effective Confirmed Nomination. Renominations processed in this manner shall constitute the Shippers' new Confirmed Nominations.

6.3 Management of interruptions

The TSO shall take actions, if there is a risk that the quantities of Confirmed Nominations may not physically be transported, e.g., due to an unexpected technical fault. The purpose of these actions is to minimize the need for interruptions. The actions are the following in the order of their activation:

1. Using the flexibility of the Operational Balancing Account between the TSO and the TSO of the Adjacent System. This is done within the flexibility limits of the Operational Balancing Account.

2. Buying to or selling gas from linepack through locational balancing service contracts to compensate for physical flows at Balticconnector. Such actions are financially settled between the TSO and the transmission system operator of the Adjacent System depending on their liability. Locational balancing service contracts may be used to the extent that is technically possible, contractually available or economically reasonable in comparison to that of not transporting the respective gas volumes.

If the above actions are not sufficient to secure transportation, capacity is reduced from all the Shippers with Confirmed Nominations on a pro rata basis.

The TSO is liable to Shippers registered to the system of the TSO. The TSO shall compensate the direct costs to the affected Shippers, if the interruption is caused by the TSO. These direct costs entail imbalance charges in part of the gas that was not transported.

7 Effective Functioning of the Gas Market

The purpose of the Capacity Allocation Rules is to ensure the effective functioning of the Finnish gas market, equal access to the gas transmission network, as well as fair and non-discriminative treatment of all gas market participants. The Capacity Allocation Rules shall, at all times, be interpreted so as to prohibit any kind of market manipulation, attempted market manipulation, Capacity Hoarding, as well as Shippers' and Shipper Groups' unjustified actions that lead or may lead to unfair allocation of the transmission capacity. An example of such unjustified action is the cooperation of Shippers to maximize the share of confirmed capacity in case of congestion when such actions can lead to unequal allocation of transmission capacity in relation to Shippers that act independently in the transmission capacity allocation procedure.

The aggregated nominations of a Shipper shall be calculated by adding together the respective nominations of the following:

(a) the Shipper;
(b) those companies in which the Shipper directly or indirectly:
(i) owns more than half the capital or business assets, or
(ii) has the power to exercise more than half the voting rights, or
(iii) has the power to appoint more than half the members of the supervisory board, the administrative board or bodies legally representing the companies, or
(iv) has the right to manage the company's affairs;
(c) those companies which have in an undertaking concerned the rights or powers listed in (b);
(d) those companies in which an undertaking as referred to in (c) has the rights or powers listed in (b);
(e) those undertakings in which two or more undertakings as referred to in (a) to (d) jointly have the rights or powers listed in (b).

For the avoidance of doubt, the right to manage the company's affairs referred to in (b)(iv) above can be held by several companies jointly e.g. through veto right provisions in shareholders' agreements.

In order to ensure the effective functioning of the Finnish natural gas market the Shipper commits to either confirm that if does not belong to a Shipper Group or notify the TSO without undue delay of all the companies to which it has links described in (b)-(e) and any changes thereto or its confirmation without undue delay.

Any action of a Shipper or a Shipper Group relating to the transmission capacity allocation that is considered prohibited under REMIT regulation (such as Capacity Hoarding) and/or under national or EU competition law is considered as a breach of these Capacity Allocation Rules.

In order to ensure the effective functioning of the Finnish gas market, the TSO shall notify to the competent national regulatory authority all actions of a Shipper and/or a Shipper Group that may constitute a breach of the REMIT Regulation and/or national or EU competition law.

8 Responsibilities of Transmission System Operator with System Responsibility on information provision to Shippers

The TSO shall provide information on the expected duration and effect of planned maintenance at Balticconnector, Technical Capacity, Nominations and Renominations, Available Capacity, actual physical flow, planned and unplanned interruptions to transportation services, and the restoration of the services. Planned interruptions shall be published at least 42 days in advance. The information will be published on the Transparency Platform. The planned and unplanned interruptions which have impact on the Technical Capacity of Balticconnector will be published on the UMM Platform.