

# Terms and Conditions of Balancing

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## 1 Terms and Conditions of Balancing

These Terms and Conditions of Balancing of the Transmission System Operator with System Responsibility shall apply to the Balancing Service between the Transmission System Operator with System Responsibility and the Balance Responsible Shipper or Trader (hereinafter the 'Balance Responsible Party') and shall constitute an integral part of the Framework Agreement between the Shipper or Trader and the Transmission System Operator with System Responsibility.

## 2 Definitions

The definitions of the up-to-date version of the Rules Handbook as referred to in the Government Decree on the Settlement and Measurement of Natural Gas Delivery (1008/2019 as amended) shall be applied with the Terms and Conditions of Balancing. In addition, the following definitions shall apply with the Terms and Conditions of Balancing.

**Marginal Price** means either a Marginal Sell Price or Marginal Buy Price.

**Adjustment Step** means the percentage by which the Neutral Gas Price is adjusted upward or downward.

**Neutral Gas Price** is the volume weighted average price of concluded trades on a gas exchange during the Gas Day where all concluded trades of day and within-day products are considered to determine Marginal Sell and Buy Prices. If the weighted average price of the gas exchange cannot be determined, the Neutral Gas Price used shall be the daily price of the balancing service agreements subjected by the Transmission System Operator with System Responsibility to competitive bidding. If the daily price of the balancing service agreements cannot be determined, the most recently determined neutral gas price is used as the Neutral Gas Price until the daily Neutral Gas Price can be determined again. The gas exchange where the Transmission System Operator trades to determine Marginal Prices is UAB GET Baltic.

**Neutrality Charge for Balancing** means a charge amounting to the difference between the amounts received or receivable and the amounts paid or payable by the Transmission System Operator due to performance of its balancing activities which is payable to or recoverable from the relevant Balance Responsible Parties.

**Imbalance Charge** means the amount of money the Balance Responsible Party pays or receives in respect of its daily imbalance quantity.

**Urgent Market Message (UMM) Platform** means a platform used by the Transmission System Operator with System Responsibility to publish Urgent Market Messages.

## 3 Balancing in the Finnish Gas System

The Shippers and Traders in the Balance Group of the Balance Responsible Party shall deliver to the Finnish Gas System on each Gas Day at the Imatra, Balticconnector, Hamina LNG, Inkoo LNG and Biogas Entry Points as well as inputs at the Virtual Trading Point or as cleared by a gas exchange the sum of the daily quantities of gas that corresponds to the sum of the offtakes of gas that the Balance Group's Shippers and Traders have received from the system in the Exit Zone, as offtakes at the Virtual Trading Point or as cleared by a gas exchange and at the Balticconnector Exit Point on the same Gas Day.

The Transmission System Operator with System Responsibility shall be responsible for balancing in the Finnish Gas System and for system services as a whole as well as for end-of-day neutrality of the imbalances of the Balance Responsible Party. To be able to act as a Balance Responsible Party, the Shipper or Trader shall have a valid Shipper and Trader Framework Agreement.

## **4 Creditworthiness requirements**

The Balance Responsible Party shall provide the Transmission System Operator with System Responsibility with security the value of which shall cover the Balance Responsible Party's outstanding invoices at any given time for Imbalance Charges and estimated Imbalance Charges that have not yet been invoiced to the Balance Responsible Party, including a 10% security margin for monthly fluctuation in Imbalance Charges.

Estimated Imbalance Charges that have not yet been invoiced shall be displayed for the Balance Responsible Party on the Portal of the Transmission System Operator with System Responsibility when the Transmission System Operator with System Responsibility has calculated the estimates for these but has not yet sent the invoices to the Balance Responsible Party.

## **5 Status of the gas system determined by the Transmission System Operator with System Responsibility**

When the actual system status or the forecasted imbalance for the system is in the Green Zone (the so-called normal status), the Transmission System Operator with System Responsibility shall not trade on the gas exchange or make orders under balancing service agreements. If the actual system status or the forecasted imbalance for the system is in the Yellow Zone (the so-called imbalance status), the Transmission System Operator with System Responsibility may trade on the gas exchange and/or make orders under balancing service agreements.

If the actual system status or the forecasted imbalance for the system is in the Red Zone (the so-called critical status), the Transmission System Operator with System Responsibility may determine the Marginal Price for balancing gas in accordance with the exception rule.

## **6 Determination of the Imbalance Charge**

The Balance Responsible Party shall pay the charge or have the right to a credit in respect of any daily imbalance quantity of its Balance Group for each Gas Day depending on the direction (positive/negative) of the imbalance. The Transmission System Operator with System Responsibility shall calculate the daily imbalance quantity for the Gas Day for each Balance Group as follows:

$$\text{Daily imbalance quantity} = \text{inputs} - \text{oftakes}$$

The daily Imbalance Charges of a Balance Group shall be calculated by multiplying the Balance Group's daily imbalance quantity by the applicable Imbalance Charge price. The daily imbalance quantity shall be based on the results of the final balance settlement.

The direction of the daily Imbalance Charge shall be determined as follows:

- a) if the Balance Group's daily imbalance quantity for the Gas Day is positive then the Balance Responsible Party shall be deemed to have sold a quantity of gas to the Transmission System Operator with System

Responsibility equivalent to the daily imbalance quantity and therefore shall be entitled to receive a credit for the daily imbalance quantity; and

- b) if the Balance Group's daily imbalance quantity is negative, the Balance Responsible Party shall be deemed to have purchased a quantity of gas from the Transmission System Operator with System Responsibility equivalent to the imbalance quantity and shall therefore be obliged to pay a charge to the Transmission System Operator with System Responsibility.

## **6.1 Price of the Imbalance Charge**

The daily Imbalance Charge shall be cost reflective and shall take account of the prices associated with the Transmission System Operator's balancing actions, if any, and of the adjustment.

The applicable price for the daily Imbalance Charge shall be determined as follows:

- a) Marginal Sell Price where the daily imbalance quantity is positive (i.e. the Balance Responsible Party's inputs for that Gas Day exceed its offtakes for that Gas Day); or
- b) Marginal Buy Price where the daily imbalance quantity is negative (i.e. the Balance Responsible Party's offtakes for that gas day exceed its inputs for that gas day).

## **6.2 Grounds for determining the price of the Imbalance Charge**

The Transmission System Operator with System Responsibility shall update for the Balance Responsible Parties the forecast imbalance status of the system on the Portal on an hourly basis during the Gas Day.

If the Transmission System Operator with System Responsibility has not traded on the gas exchange or made orders under balancing service agreements during the Gas Day, the price of the daily Imbalance Charge shall be the adjusted Neutral Gas Price (see figure in Appendix 1).

If the Transmission System Operator with System Responsibility trades on the gas exchange or makes orders under balancing agreements during the Gas Day, the price of the Balance Group's daily Imbalance Charge shall be determined in accordance with a Marginal Sell Price or a Marginal Buy Price (see figure in Appendix 2).

A Marginal Sell Price is the lowest of:

- a) the lowest price of any sales of title products in which the Transmission System Operator is involved in respect of the Gas Day; or
- b) the weighted average price of gas (Neutral Gas Price) in respect of that Gas Day, minus an adjustment step; or
- c) the sell price of the order made by the Transmission System Operator with System Responsibility through the balancing service agreement.

In the event that the means described above are actually or likely unable to keep the transmission network within its operational limits and the system status is in the Red Zone, the exception rule described in these Terms and Conditions of Balancing shall be employed to determine the Marginal Sell Price.

According to the exception rule, the Neutral Gas Price of the preceding Gas Day divided by three (3) shall be determined as the Marginal Sell Price for balancing gas. Should it not be possible to determine the neutral gas price of the previous Gas Day, in connection with the exception rule the most recent price that has been able to be determined shall be used as the neutral gas price. The exception rule for the Marginal Sell Price for balancing gas shall be employed only in the event that the system status is jeopardised due to a high level of pressure and the means determined in a)–

c) above fail to achieve system balance. The employment of the exception rule shall be communicated on the UMM Platform used by the Transmission System Operator with System Responsibility.

A Marginal Buy Price is the highest of:

- a) the highest price of any purchases of title products in which the Transmission System Operator is involved in respect of the Gas Day; or
- b) the weighted average price of gas (Neutral Gas Price) in respect of that Gas Day, plus an adjustment step; or
- c) the buy price of the order made by the Transmission System Operator with System Responsibility through the balancing service agreement.

In the event that the means described above are actually or likely unable to keep the transmission network within its operational limits and the system status is in the Red Zone, the exception rule described in these Terms and Conditions of Balancing shall be employed to determine the Marginal Buy Price.

According to the exception rule, the Neutral Gas Price of the preceding Gas Day multiplied by three (3) shall be determined as the Marginal Buy Price for balancing gas. Should it not be possible to determine the neutral gas price of the previous Gas Day, in connection with the exception rule the most recent price that has been able to be determined shall be used as the neutral gas price. The exception rule for the Marginal Buy Price for balancing gas shall be employed only in the event that an actual or forecast system imbalance jeopardises the security of supply and significantly increases the risk of the triggering of the alert or the emergency level in response to the supply situation. The employment of the exception rule shall be communicated on the UMM Platform used by the Transmission System Operator with System Responsibility.

In the event that a Balance Group's daily imbalance quantity for a Gas Day is positive and the actual or forecast imbalance for the system was positive for the Gas Day in respect of which the Transmission System Operator with System Responsibility traded on the gas exchange or made an order under balancing service agreements for balancing purposes, the price of the Balance Group's Imbalance Charge shall be the lowest of the above-specified prices.

In the event that a Balance Group's daily imbalance quantity for a Gas Day is negative and the actual or forecast imbalance for the system was negative for the Gas Day in respect of which the Transmission System Operator with System Responsibility traded on the gas exchange or made an order under balancing service agreements for balancing purposes, the price of the Balance Group's Imbalance Charge shall be the highest of the above-specified prices.

In the event that the actual or forecast imbalance for the system was both positive and negative for the same Gas Day and the Transmission System Operator with System Responsibility traded on the gas exchange or made an order under a balancing service agreement for balancing purposes, the price of the Imbalance Charge shall be the lowest of the above-specified prices when the Balance Group's daily imbalance is positive. Correspondingly, the price of the Imbalance Charge shall be the highest of the above-specified prices when the Balance Group's daily imbalance is negative.

In the event that a Balance Group's daily imbalance quantity for a Gas Day is positive and the actual or forecast imbalance for the system was negative when the Transmission System Operator with System Responsibility traded on the gas exchange or made an order under a balancing service agreement for balancing purposes, the price of the Imbalance Charge shall be the adjusted Neutral Gas Price. In the event that a Balance Group's daily imbalance quantity for a Gas Day is negative and the actual or forecast imbalance for the system was positive when the Transmission System Operator with System Responsibility traded on the gas exchange or made an order under a balancing service agreement for balancing purposes, the price of the Imbalance Charge shall be the adjusted Neutral Gas Price.

If the daily buy or sell imbalance charge cannot be determined in accordance with the principles described in this chapter, the default rule is used to determine the imbalance charge. According to the default rule, to determine the daily imbalance charge, the most recently determined neutral gas price is used as the neutral gas price, plus or minus the applicable adjustment step, until the daily neutral gas price can be determined again.

In order to ensure the physical balance of the Finnish gas system, the Transmission System Operator with System Responsibility may trade on the gas exchange or make an order through a balancing service agreement to correct a physical imbalance caused measuring instrument inaccuracies. In such a situation, any balancing actions taken shall not affect the Imbalance Charges of the Gas Day concerned.

After the Competent Authority has declared that the crisis level of a security of gas supply regulation is in force, the Transmission System Operator with System Responsibility may, under the authorisation of the Competent Authority, impose balancing gas pricing in another way.

### **6.3 Determination of the adjusted Neutral Gas Price**

If the Balance Responsible Party's daily imbalance quantity is positive, i.e. the Balance Responsible Party's inputs for that Gas Day exceed its offtakes for that Gas Day, the adjusted Neutral Gas Price applicable for that Gas Day shall be the Neutral Gas Price minus the Neutral Gas Price multiplied by the Adjustment Step.

If the Balance Responsible Party's daily imbalance quantity is negative, i.e. the Balance Responsible Party's offtakes for that Gas Day exceed its inputs for that Gas Day, the adjusted Neutral Gas Price applicable for that Gas Day shall be the Neutral Gas Price plus the Neutral Gas Price multiplied by the Adjustment Step.

The Transmission System Operator with System Responsibility can adjust the applicable adjustment step by notifying the adjustment at least three (3) full gas days before the adjustment step enters into force. The Transmission System Operator with System Responsibility will notify the adjustment through the UMM Platform used by the Transmission System Operator with System Responsibility, but also on the website of the Transmission System Operator with System Responsibility.

The Transmission System Operator with System Responsibility can set an adjustment step, the size of which can be within the range of 3 % (inclusive) - 10 % (inclusive). The Transmission System Operator with System Responsibility can adjust the adjustment step to ensure the physical and commercial balance management of the Finnish gas system or to consider the reasonableness of the balancing costs incurred by the Balance Responsible Parties for imbalance charges.

## **7 Neutrality Charges for Balancing**

The Transmission System Operator shall not gain or lose by the payment and receipt of daily Imbalance Charges, Within-Day Charges, balancing actions charges and other charges related to its balancing activities. The Transmission System Operator shall through Neutrality Charges pass to Balance Responsible Parties:

- a) any costs and revenues arising from daily Imbalance Charges and Within-Day Charges;
- b) any costs and revenues arising from the balancing actions undertaken; and
- c) any other costs and revenues related to the balancing activities undertaken by the Transmission System Operator.

Each Balance Responsible Party shall pay to the Transmission System Operator with System Responsibility or the Transmission System Operator with System Responsibility shall credit to the Balance Responsible Party the Neutrality Charges for Balancing for each Gas Month.

In the Neutrality Charge for Balancing specific to the Gas Month, the following revenues and costs of the Transmission System Operator with System Responsibility during the Gas Month in question shall be taken into account as components of the charge:

- paid and credited Imbalance Charges and Imbalance Charges paid and credited during correction rounds;
- costs and revenues relating to balancing actions undertaken;
- costs relating to balancing service agreements in force at that time;
- development, investment and maintenance costs relating to balancing actions;
- personnel costs relating to balancing actions; and
- finance costs relating balancing actions.

The Transmission System Operator with System Responsibility shall publish the calculated total sums for the above data on its website once a month.

The price of the Gas Month-specific Neutrality Charge shall be determined after each Gas Month. The price of the Neutrality Charge [EUR/MWh] shall be determined on the basis of the above total sums of revenues minus total costs and by dividing the result by the total amount of offtakes of all of the Balance Responsible Parties for that Gas Month. Taken into account as offtakes shall be offtakes included in the balancing portfolios of the Balance Responsible Parties in the Exit Zone, Virtual Trading Point and Balticconnector.

The Balance Responsible Party's monthly Neutrality Charge [EUR/Gas Month] shall be determined by multiplying the amount of aggregate offtakes included during the Gas Month in the Balance Responsible Party's balancing portfolio (incl. Exit Zone, Virtual Trading Point and Balticconnector) by the price of the Neutrality Charge applicable to that Gas Month.

If the Neutrality Charge is positive, the Balance Responsible Party shall pay the Neutrality Charge to the Transmission System Operator with System Responsibility. If the Neutrality Charge is negative, the Transmission System Operator with System Responsibility shall credit the Neutrality Charge to the Balance Responsible Party.

## **8 Invoicing**

The invoicing period for payments relating to the balancing services of the Transmission System Operator with System Responsibility shall be the Gas Month. The invoicing period for payments relating to the Neutrality Charges for Balancing of the Transmission System Operator with System Responsibility shall be three Gas Months.

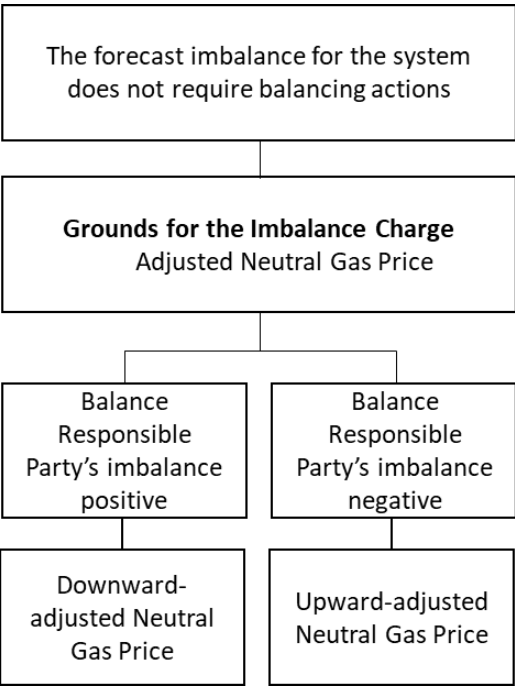
## **9 Compensation for damage**

The Transmission System Operator with System Responsibility shall not be liable for any loss or damage arising from a performance covered by the Terms and Conditions of Balancing, unless the loss or damage is proven to have been caused by the neglect of the Transmission System Operator with System Responsibility or a party acting on its behalf



which cannot be regarded as minor. The Balance Responsible Party shall not be liable for any loss or damage arising from a performance covered by the Terms and Conditions of Balancing, unless the loss or damage is proven to have been caused by the neglect of the Balance Responsible Party or a party acting on its behalf which cannot be regarded as minor. The Transmission System Operator with System Responsibility and the Balance Responsible Party shall not be liable to each other for any indirect or consequential loss or damage such as profit loss or damages paid to a third party or any other consequential loss or damage unless the loss or damage has been caused intentionally or with gross negligence or breach of non-disclosure obligation.

Appendix 1: Figure illustrating the determination of the price of the Imbalance Charge when the forecast imbalance for the system does not require balancing actions by the Transmission System Operator with System Responsibility



Appendix 2. Figure illustrating the determination of the price of the Imbalance Charge when the forecast imbalance for the system requires balancing actions by the Transmission System Operator with System Responsibility

