

Capacity Allocation at Balticconnector Interconnection Point

The version 3.0 of the terms and Conditions of Balticconnector capacity allocation mechanism is applicable starting from October 1, 2024. These rules have been confirmed by Finnish Energy Authority on 8th of July, 2024.

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.

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 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.

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 'the 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, commercial 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, if the TSO considers it reasonable to ensure the efficient use of the Technical Capacity.

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 may 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, if the Nomination or Renomination exceeds the maximum quantity which can be nominated according to these applicable rules, 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 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 nominated quantities exceeding the maximum quantity allowed to be nominated or renominated according to the Sections 4.1. and 4.2. The TSO shall have the right to cancel any such Nomination(s) of a Shipper that exceed the maximum quantity allowed to be nominated or renominated.

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, but the latest Nomination received by the TSO 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 Nominations must not exceed the Technical Capacity allocated for bilateral trading. If the Technical Capacity allocated for bilateral trading is below 24 GWh/day, the maximum allowable nomination quantity which can be submitted by the Shipper is 1 GWh/h (24 GWh/day, except on clock shift days either 23 GWh/day or 25 GWh/day). 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 which starts at 15:00 UTC (winter time) and 14:00 UTC (daylight saving time) on Gas Day D-1.

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 Renominations must not exceed the Technical Capacity allocated for bilateral trading. If the Technical Capacity allocated for bilateral trading is below 24 GWh/day, the maximum allowable renomination quantity which can be submitted by the Shipper is 1 GWh/h (24 GWh/day, except on clock shift days either 23 GWh/day or 25 GWh/day). If Shipper's Renomination exceeds the Available Capacity, the TSO reduces the Renominations *pro roto* so that allocated capacity equals to the Available Capacity. In *pro roto* calculation, the change in Renomination compared to already Confirmed Nomination is the determining factor. 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 as defined in Section 6.1 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 (incl. possibly offered virtual capacity) 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 following Renomination 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. The tolerance and the underutilization fee are effective only for the congested direction. 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 in certain direction = total amount of Confirmed Nominations in the opposite direction (excl. Confirmed Nominations by the gas exchange)

For example, if the Confirmed Nominations (excl. Confirmed Nominations by the gas exchange) to one direction was 10 GWh from Estonia to Finland, the volume of virtual capacity would be 10 GWh to the direction from Finland to Estonia.

In the event Balticconnector becomes physically congested, the TSO will not 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 booked as virtual capacity based on Virtual Reverse Flow.

The TSO informs the Shippers on the volume of Available Capacity on Gasgrid Portal and Transparency Platform. 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.

In case the TSO is unable to deliver the gas quantities in accordance with the Confirmed Nominations, the TSO shall compensate the affected Shippers the direct costs caused by the interruption provided that such interruption was caused by the intent or negligence of the TSO.

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. Additionally, the purpose is to prevent attempted market manipulation, Capacity Hoarding, as well as Shippers' unjustified actions that lead or may lead to unfair allocation of the transmission capacity.

Any action of a Shipper relating to the transmission capacity allocation that the competent authority has concluded to be 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 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.