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Rules of Use of the Natural Gas Transmission System

Issued pursuant to
Article 15 (7) and Article 45\(^2\)(3), (6)
of the Energy Law

I. General Provisions

1. The regulations shall govern:

1.1. the use of the natural gas transmission system (hereinafter - the transmission system);

1.2. the rights, obligations and liability of the natural gas transmission system operator (hereinafter - the transmission system operator) and the transmission system users (hereinafter - the system users);

1.3. the procedure for the exchange of information between the transmission system operator and the system users;

1.4. the system users’ balance liability and procedure by which the transmission system operator carries out the daily imbalance calculation;

1.5. the criteria and procedure which the transmission system operator may use to request the system users to provide a collateral.

2. The following definitions are used in the regulations:

2.1. confirmed quantity - the natural gas quantity confirmed by the transmission system operator for a system user for transmission on a given gas day;

2.2. interruptible capacity - the transmission system capacity which the transmission system operator may interrupt pursuant to the provisions of these regulations and the transmission system service agreement;

2.3. interruptible capacity product – a specific interruptible capacity in a given period at a given entry or exit point which a system user may apply for;

2.4. balancing agreement - an agreement between the transmission system operator and a system user on the system user’s balance responsibility and payment for the daily imbalance;

2.5. balancing portfolio - the information collected by the transmission system operator on the natural gas quantity input and offtaken by the system user (nominations and natural gas allocations) at given entry and exit points;

2.6. natural gas quantity matching - the comparison of the natural gas quantity indicated
in the system users’ nominations at the transmission system interconnection point between the transmission system or storage operators;

2.7. natural gas metering station - the location of the commercial natural gas meter, installed for recording the natural gas quantity consumed at a given system user’s site;

2.8. transaction party - a user of the transmission system or of a neighbouring state transmission system who organizes the supply of natural gas to a system user at the transmission system entry and exit points or for whom the system user organizes the supply thereof;

2.9. electronic transmission capacity booking site – a website created and administered by the transmission system operator, which is available to the system users and where the transmission system operator records and publishes the information on capacity booking, capacity surrender, capacity transfer, nominations, re-nominations and other information regarding the provision of the transmission system services;

2.10. energy identification code - the identification code assigned to a system user based on the Energy Identification Code (EIC) system;

2.11. gas quarter - the period from 1 January at 7:00 until 1 April at 7:00; the period from 1 April at 7:00 until 1 June at 7:00; the period from 1 July at 7:00 until 1 October at 7:00; the period from 1 October at 7:00 until 1 January at 7:00 (5:00 to 5:00 UTC (universal time coordinated) during the winter period and from 4:00 to 4:00 UTC during the summer period);

2.12. gas day (gas day D) - the period starting each day at 7:00 and ending the next day at 7:00 (5:00 to 5:00 UTC the next day during the winter period and from 4:00 to 4:00 UTC the next day during the summer period. After switching to winter time, the gas day D shall last 25 hours, after switching to summer time - 23 hours; (gas day D-1 – the gas day before the gas day, or gas day D+1 - the gas day after the gas day D);

2.13. gas year - the period starting each year on 1 April at 7:00 and ending the next 1 April at 7:00 (5:00 to 5:00 UTC during the winter period and from 4:00 to 4:00 UTC during the summer period);

2.14. gas month - the period starting on the first day of each month at 7:00 and ending on the first day of the next calendar month at 7:00 (5:00 to 5:00 UTC during the winter period and from 4:00 to 4:00 UTC during the summer period);

2.15. entry capacity - the transmission system capacity at a given entry point;

2.16. entry point - the place where natural gas enters the cross-border transmission system from the transmission system of a neighbouring state, from a natural gas storage or a liquefied natural gas terminal, and where the transmission of natural gas in the cross-border transmission system begins;

2.17. injection season - the period of time when the storage operator injects natural gas in the storage facility;

2.18. long-term capacity product – the capacity product offered by the transmission system operator for one year or longer;

2.19. exit capacity - the transmission system capacity at a given exit point;

2.20. exit point - the place where natural gas exits the cross-border transmission system and enters the transmission system of a neighbouring state, the distribution system, a natural gas storage or a liquefied natural gas terminal, and where the transmission of natural gas
in the cross-border transmission system ends. If the distribution system is connected to the transmission system in multiple points of the transmission system, all such connection points shall be considered one exit point;

2.21. **exit point for the supply for Latvian consumers** - the commercial exit point without a specific physical location in the transmission system;

2.22. **"use it or lose it"** - the principle whereby the transmission system operator reallocates the transmission system capacities booked but unused by the system users by enforcing the transfer of capacities;

2.23. **withdrawal season** – the time period when the storage operator ensures the withdrawal of natural gas from the natural gas storage facility;

2.24. **short-term capacity product** – a specific transmission system capacity in a given period of time which is shorter than one year at a given entry or exit point which may be booked by a system user;

2.25. **capacity** - the maximum natural gas flow expressed in energy units per time unit, which the system user is entitled to use under these regulations;

2.26. **firm capacity** - the transmission system capacity which the transmission system operator has guaranteed as uninterruptible;

2.27. **storage** – the Inčukalns Underground Gas Storage;

2.28. **contractual congestion** - the situation where the demand for firm capacity exceeds the technical capacity;

2.29. **lesser rule principle** - if the system user delivering natural gas and the system user receiving it at an entry and exit point wish to input or offtake a different natural gas quantity, the transmission system operator shall apply the lower of the natural gas quantities indicated in the nomination;

2.30. **imbalance** - the situation where during the balancing period the natural gas quantity input by a system user into transmission system (input) is different from the natural gas quantity offtaken by that system user from the transmission system (off-take), or the situation where the total natural gas input quantity in the transmission system is different from the total natural gas off-take quantity from the transmission system;

2.31. **unused capacity** - the firm capacity which a system user has booked but has not nominated within the period of use of the capacity product of the respective duration;

2.32. **indirect allocation method** – a cross-border interconnection capacity allocation method where the transmission capacity and the respective natural gas quantity is allocated via auction;

2.33. **nomination** - the prior notification to the transmission system operator from a system user regarding the natural gas quantity in kilowatt-hours per day (kWh/d) which the system user wishes to input or offtake from the transmission system;

2.34. **transmission system service contract** – the contract between the transmission system operator and a system user on the transmission system service;

2.35. **available capacity** – the part of the technical capacity that has not been allocated and is currently available to the system users;

2.36. **allocation** - the natural gas input or off-take quantity allocated by the transmission system operator to a system user for a given entry point or a given exit point expressed
in kilowatt-hours in order to determine the imbalance of gas day D;

2.37. **applicant** - the person who submits to the transmission system operator an application for the right to use the transmission system;

2.38. **primary capacity market** - the market where the transmission system operator is directly involved in capacity trading;

2.39. **“first come, first served” principle** - the type of allocation of capacity product where the capacity product is first allocated to those system users who have been first to submit their applications for capacity product booking;

2.40. **renomination** - a later notification from a system user regarding an updated nomination;

2.41. **secondary capacity market** - the market where the system users transfer the capacities purchased in the primary market to other system users;

2.42. **system user** - a person who has entered into a transmission system service contract with the transmission system operator and uses the transmission system service;

2.43. **standard conditions** - $0^\circ$ temperature and 1.01325 bar (a); in regards to gross calorific value, energy and Wobbe number, the default standard combustion temperature is $25^\circ$C;

2.44. **standard capacity product** – a specific transmission system capacity in a given period of time at a given entry or exit point which may be booked by a system user;

2.45. **technical capacity** – the maximum firm capacity which the transmission system operator is able to provide to the system users having regard of the system integrity and the operational requirements of the transmission system;

2.46. **technical balancing agreement** - the agreement between adjacent transmission system operators on the organization of technical balancing;

2.47. **virtual trading point** - a location which is not physically determined in the transmission system and where natural gas is transferred without the need for a system user to book the capacity products.

3. The system user, when communicating with the transmission system operator in the cases provided in these regulations, shall submit all information and documents to the transmission system operator either in Latvian or in English. Any information and documents set out in these regulations that are sent electronically shall be signed by a secure electronic signature, unless the storage operator and the storage user agree otherwise.

### II. Description of the Transmission System

4. The transmission system consists of:
   4.1. transmission system gas pipelines;
   4.2. gas metering stations (GMS);
   4.3. gas regulating stations;
   4.4. equipment for protection of pipelines against corrosion;
   4.5. data transmission and communication systems.

5. Natural gas may be input in the transmission system at the following entry points:
   5.1. the natural gas metering location at the GMS Korneti with metering at the GMS Izborsk;
   5.2. the natural gas metering location at the GMS Kiemenai;
5.3. the natural gas metering location at the GMS Karksi;
5.4. the transmission system interconnection to the storage;
5.5. the transmission system interconnection with a system user’s system directly connected to the transmission system.

6. Natural gas may be offtaken from the transmission system at the following exit points:
6.1. the natural gas metering location at the GMS Korneti;
6.2. the natural gas metering location at the GMS Kiemenai;
6.3. the natural gas metering location at the GMS Karksi;
6.4. the transmission system interconnection to the storage;
6.5. the transmission system interconnection with a system user’s system directly connected to the transmission system;
6.6. the exit point for the supply of the Latvian consumers.

7. The transmission system operator shall establish and publish on its website the operating schedule of the transmission system and the directions of natural gas transmission and the maximum allowable operating pressure for each gas transmission pipeline having regard of its technical condition. The minimum operating pressure of transmission system pipelines is 2.5 MPa.

8. The transmission system operator shall agree with the storage operator and two weeks before the beginning of each injection season and withdrawal season shall determine the maximum and minimum natural gas flow pressure at which the transmission system operator transfers natural gas to the storage operator for injection in the storage and the storage operator withdraws natural gas from the storage for input in the transmission system, and shall publish the above information on its website.

III. Rights and Obligations of the Transmission System Operator and System Users

9. The transmission system operator shall:
9.1. calculate and publish capacities pursuant to these regulations;
9.2. ensure the provision of the transmission system services to the system users and a non-discriminatory booking of transmission system capacity pursuant to these regulations;
9.3. timely provide system users with information regarding the use of the transmission system;
9.4. in coordination with the regulator, offer long-term capacity products for a period exceeding one year, with a prior notice to all system users and publishing of the conditions and deadlines of allocation of capacity products of a given period on its website, if the transmission system operator has received a system user’s request for such long-term capacity products.

10. The transmission system operator shall be entitled to:
10.1. restrict the provision of the transmission system services pursuant to Chapter XVII of these regulations in the events set out under these regulations and the transmission system service contract;
10.2. allocate capacities at the entry points specified in Articles 5.2 and 5.3 of these regulations and the exit points specified in Articles 6.2 and 6.3 of these regulations by
indirect allocation;

10.3. request from the system users, the storage operator and the distribution system operator the information required for the transmission system operator to carry out the activities set out in these regulations;

10.4. book in a commercially reasonable manner the capacity products of other transmission system entry and exit points, the storage entry and exit points, as well as the storage and liquefied natural gas terminal capacity required for the sustainable operation of the transmission system and the provision of reliable transmission services;

10.5. enter into contracts on the purchase and sale of technical balancing energy for the transmission system;

10.6. acquire and process system user and applicant data;

10.7. request from the system users a collateral for the performance of their obligations;

10.8. receive payments for the transmission system services and balancing provided in the amount and in accordance with the procedure set out in the transmission system service contract and the balancing agreement.

11. System users shall:

11.1. organize the supply of natural gas up to the transmission system entry point and receipt of natural gas from the transmission system at the exit point as stipulated by these regulations;

11.2. ensure that the inputs into the transmission system correspond to the off-takes from the transmission system;

11.3. pay for the transmission system services and ancillary services received, including balancing, in the amount and in accordance with the procedure set out in the transmission system service contract and the balancing agreement;

11.4. submit the information related to transmission system services and balancing as stipulated by these regulations.

12. System users shall be entitled to:

12.1. use the transmission system and receive natural gas transmission system services, including balancing, in the quantity and in accordance with the procedure set out in the transmission system service contract and balancing agreement;

12.2. receive the information related to transmission system services and balancing;

12.3. receive invoices for the transmission system services and balancing pursuant to the procedure set out in the transmission system service contract and the balancing agreement.

IV. Procedure for the Conclusion of the Transmission System Service Contract

13. The applicant shall submit to the transmission system operator the application for the right to use the transmission system (Annex 1). The applicant shall append to the application:

13.1. a document that proves that the applicant has registered for commercial activity pursuant to the national laws and regulations;

13.2. a proof of representation, if the application is submitted by an authorised representative of the applicant;
13.3. a document that has been issued not earlier than one month before the date of submission and proves that the applicant is not under insolvency proceedings, the applicant’s economic activity is not suspended, and the applicant is not under liquidation;

13.4. 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 applicant’s economic and financial position under the national laws and regulations;

13.5. information about the applicant’s credit rating awarded by a commonly known credit agency or rating agency (not required if it is planned to provide a collateral pursuant to Chapter XVIII of these regulations).

14. If the information in the documents listed in Article 13 of these regulations is available in Latvian or English free of charge in an official gazette or a national public register, the applicant is entitled to not submit the relevant documents, specifying in its application the website where such information is available.

15. The transmission system operator shall review the application and annexes set out in Article 13 of these regulations within five business days from the day of receipt. The transmission system operator may request the applicant to submit missing documents and additional information.

16. If the transmission system operator has requested the applicant to submit additional information or documents, the applicant shall submit such within 10 business days from the day of dispatch of the request. If the applicant does not submit the requested additional information or documents within the deadline specified in this article, the applicant shall be deemed to have withdrawn its application.

17. The applicant may submit the documents and additional information referred to in Articles 13 and 15 of these regulations to the transmission system operator electronically.

18. If the applicant has submitted to the transmission system operator all documents and additional information referred to in Articles 13 and 15 of these regulations, the transmission system operator shall within five business days from the receipt of the documents and additional information prepare the transmission system service contract (Annex 2) and shall send it to the applicant electronically. In the transmission system contract, the transmission system operator shall assign to the system user an energy identification code (EIC), unless the system user already has one.

19. The applicant shall return to the transmission system operator a signed transmission system service contract in two copies within 10 business days from the day of dispatch of the transmission system service contract. If the applicant does not return to the transmission system operator a signed transmission system service contract in two copies within 10 business days from the day of dispatch of the transmission system service contract, the applicant shall be deemed to have withdrawn its application.

20. The transmission system operator shall sign the transmission system service contract within three business days from the receipt of the transmission system service contract signed by the applicant and return one copy thereof to the applicant.

21. During the contract period the transmission system operator and the system user may agree upon amendments to the contract that are not in conflict with these regulations. The transmission system operator shall notify the regulator within 10 days by submitting the copy of the relevant agreement.

22. The transmission system operator shall notify the applicant of refusal to conclude the...
The transmission system service contract within one business day after the review of the application by sending a notice to the electronic mail address indicated in the application. The transmission system operator shall send a motivated refusal to conclude the transmission system service contract in writing within the period set out in the Law on Regulators of Public Utilities by post to the applicant’s address indicated in the application.

V. General Provisions of Capacity Product Booking

23. The transmission system operator shall calculate and publish on its website the technical capacity, the available capacity and the booked interruptible capacity at the entry points listed in Articles 5.1-5.4 of these regulations and the exit points listed in Articles 6.1-6.4 for the relevant period. The transmission system operator shall calculate the capacity based on the historical data from previous periods, the hydraulic pipeline modelling data, changes in the natural gas infrastructure, the planned maintenance works and the dynamics of capacity booking at each entry point and exit point.

24. The capacity booking procedures set out in these regulations shall be applicable to all entry points and exit points, except for the exit points indicated in paragraphs 6.5 and 6.6 of these regulations where the transmission system operator shall not offer capacity for booking.

25. During the validity period of the transmission system service contract the system user shall be entitled to book capacity products at each individual entry and exit point and shall book each capacity product in accordance with the standard communication protocol set out in Annex 4 to these regulations.

26. According to the cooperation agreement concluded by the transmission system operator and the adjacent transmission system operator regarding the entry points listed in Articles 5.1-5.3 of these regulations and the exit points listed in Articles 6.1-6.3 of these regulations, the system operators shall offer bundled capacity products - standard capacity products consisting of combined entry and exit capacities at the both sides of the interconnection point. The transmission system operator shall publish the bundled capacity product offer on its website.

27. A system user who inputs natural gas in the transmission system has to book entry capacity at the entry points. If the system user wishes to transmit natural gas to the storage or other transmission systems, the system user has to book exit capacity at the exit points.

28. The transmission system operator shall offer the capacity products set out in these regulations at the transmission system entry and exit points by the “first come, first received” principle.

29. At the entry points listed in Articles 5.1 and 5.2 of these regulations and the exit points listed in Articles 6.1 - 6.3 of these regulations, the transmission system operator shall offer the following capacity products:

29.1. long-term capacity product - annual capacity (kWh/d/year);
29.2. short-term capacity products:
   29.2.1. quarterly capacity (kWh/d/quarter);
   29.2.2. monthly capacity (kWh/d/month);
   29.2.3. day-ahead capacity (kWh/day);
   29.2.4. within-day capacity (kWh/day).

30. At the entry point set out in Article 5.4 of these regulations and the exit point set out in Article 6.4 of these regulations, the transmission system operator shall offer the standard short term capacity products listed in Article 29.2 of these regulations.
31. At the entry points set out in Article 5.3 and 5.4 of these regulations and the exit point set out in Article 6.4 of these regulations, where it is not possible to ensure physical flow in the opposite direction, the transmission system operator shall offer the interruptible virtual counterflow capacity products. The transmission system operator shall publish the interruptible capacity product offer on the electronic transmission capacity booking website.

32. If upon booking the firm capacity of a specific period the firm capacity requested by the system user exceeds the available capacity of the transmission system, the system user may to book the interruptible capacity of the relevant period.

33. If the transmission system operator finds necessary to interrupt the provision of interruptible capacity products to the system users to the extent required for the provision of firm capacity, it shall do so by first interrupting the capacity for the users who were last to book interruptible capacity. The transmission system operator shall notify the system user of the capacity interruption at least one hour and 30 minutes in advance.

34. If the system user submits an application for the booking of a capacity product after the deadline set out in Article 37, 42.1 and 42.2 of these regulations, the transmission system operator shall within one day notify the system user of refusal to book the capacity product due to delayed application. If the system user submits an application for the booking of a system capacity product after the deadline set out in Article 42.3 and 42.4 of these regulations, the transmission system operator shall immediately notify the system user of refusal to book the capacity product due to delayed application.

35. A new capacity, which requires investments in the transmission system, shall be booked in accordance with the procedure for the booking of long-term capacity products.

36. After receiving a confirmation of a capacity product booking, the system user shall pay to the transmission system operator for the capacity product booked as set out in the transmission system service contract.

VI. Procedure for the Booking of Long-Term Capacity Products

37. When submitting and confirming an application for the booking of long-term capacity products, the system user and the transmission system operator shall use the standard communication protocol set out in Annex 4 to these regulations. The system user shall submit the application for the booking of a long-term capacity product no later than two months before the beginning of the next gas year and no earlier than six months before the beginning of the next gas year.

38. The transmission system operator shall notify the system user of the allocated firm capacity until 16.30 (14.30 UTC winter time and 13.30 UTC summer time) on the day after the day when the capacity booking application is submitted pursuant to the standard communication protocol set out in Annex 4 to these regulations.

39. If the firm capacity booked by the system user exceeds the available capacity, the transmission system operator shall reject the capacity booking application and immediately notify the system user. After receiving a rejection, the system user may submit a new firm and interruptible capacity booking application pursuant to the standard communication protocol set out in Annex 4 to these regulations within the period indicated in Article 37 of these regulations.

40. After receiving the application pursuant to Article 39 of these regulations, the transmission system operator shall notify the system user in accordance with the standard communication protocol set out in Annex 4 to these regulations about the allocation of firm and interruptible
capacity within the period set out in Article 38 of these regulations.

41. When notifying the system user of the long-term capacities booked at a given entry and exit point, the transmission system operator shall also record this information on the electronic transmission capacity booking website.

VII. Procedure for the Booking of Short-Term Capacity Products

42. The system user shall submit short-term capacity booking applications pursuant to the standard communication protocol set out in Annex 4 to these regulations within the following periods:

42.1. a quarterly capacity product booking application - no later than one month before the beginning of the period of use of the quarterly capacity and no earlier than two months before the beginning of the period of use of the quarterly capacity;

42.2. the user shall submit a monthly capacity product booking application no later than ten calendar days before the beginning of the period of use of the monthly capacity and no earlier than 29 calendar days before the beginning of the period of use of the monthly capacity;

42.3. the user shall submit a gas day D capacity product booking application no later than 15:00 (13:00 UTC winter time and 12:00 UTC summer time) on gas day D-1 and no earlier than nine calendar days before the beginning of the gas day D for which the capacity is being booked. The transmission system operator shall indicate on its website the capacity provided for booking during the application of the indirect allocation method (the beginning and the end of the exchange trading session);

42.4. the user shall submit the within-day capacity product booking application no later than two hours and 30 minutes before the start of use of the capacity, but no earlier than 15:00 (13:00 UTC winter time and 12:00 UTC summer time) on gas day D-1.

43. Having received a short-term capacity product booking application, the transmission system operator shall assess whether the available capacity at the entry and exit point is sufficient and shall confirm or reject the short-term capacity product booking application pursuant to the standard communication protocol set out in Annex 4 to these regulations:

43.1. the transmission system operator shall notify the system user of the allocation of a quarterly and monthly capacity product no later than on the following day after receiving the capacity product booking application until 16.30 (14.30 UCT winter time and 13.30 UCT summer time). If the quarterly or monthly capacity product booked by the system user exceeds the available capacity, the transmission system operator shall reject the capacity product booking application and immediately notify the system user. After receiving the information set out in this Article, the system user may submit a new firm and interruptible capacity booking application pursuant to the standard communication protocol set out in the Annex 4 to these regulations. The system user shall send the new firm and interruptible capacity booking applications to the transmission system operator within the quarterly and monthly capacity product booking period set out in Articles 42.1 and 42.2 of these regulations. After receiving the new firm and interruptible capacity booking applications, the transmission system operator shall notify the system user of the allocation of the uninterruptible and interruptible capacity in accordance with the standard communication protocol set out in the Annex 4 to these regulations;

43.2. the transmission system operator shall notify the system user of the allocation of a gas
day D capacity product within one hour from the receipt of the new capacity product booking application. If the gas day D capacity product requested exceeds the available capacity, the transmission system operator shall reject the capacity product booking application and immediately notify the system user. After receiving the information set out in this Article, the system user may submit a new firm and interruptible capacity booking application pursuant to the standard communication protocol set out in Annex 4 to these regulations. The system user shall send the new firm and interruptible capacity booking applications to the transmission system operator within the gas day D capacity product booking period set out in Article 42.3 of these regulations. After receiving the new firm and interruptible capacity booking applications, the transmission system operator shall notify the system user of the allocation of the uninterruptible and interruptible capacity in accordance with the standard communication protocol set out in Annex 4 to these regulations;

43.3. the transmission system operator shall notify the system user of the allocation of the within-day capacity product within one hour from the submission of the new capacity product booking application. If the within-day capacity product requested exceeds the available capacity, the transmission system operator shall reject the capacity product booking application and notify the system user in accordance with the standard communication protocol set out in Annex 4 to these regulations.

44. The transmission system operator shall confirm or reject the capacity product booking applications on a “first come, first served” basis, based on the time of receipt of each capacity product booking application.

45. The transmission system operator, having notified the system user of the allocation of a given short-term capacity product at a given entry and exit point, shall also record this information on the electronic transmission capacity booking website.

VIII. Secondary Capacity Market

46. A system user who has booked the standard capacity products set out in Article 29 of these regulations may arrange with another system user and transfer the capacity product set out in Articles 29.1, 29.2.1, 29.2.2 and 29.2.3 of these regulations or part of such product, as estimated for a gas day.

47. By transferring a booked capacity product or part thereof, the system user shall transfer the right to use the capacity for the specified period at the specified entry or exit point to another system user. The obligations towards the transmission system operator, including the obligation to pay for the booked capacity product, shall remain with the system user who transfers the booked capacity product.

48. The system user who transfers a booked capacity product and the system user who acquires such capacity product shall notify the transmission system operator of the transferred capacity product pursuant to the standard communication protocol set out in Annex 4 of these regulations no later than two hours before the end of the nomination period set out in these regulations by submitting to the transmission system operator the following information:

48.1. the type of the capacity product pursuant to Article 29 of these regulations;

48.2. the entry or exit point;

48.3. the quantity of the transmitted capacity product (kWh/d);

48.4. the start and end date of the period of use of the transmitted capacity product;
48.5. the energy identification code.

49. The transmission system operator shall confirm a transfer of a booked capacity product within one hour after receiving the information from both transaction parties pursuant to the standard communication protocol set out in Annex 4 to these regulations. With the confirmation of the transaction, the system user who has acquired the right to use the capacity product shall obtain the right to submit capacity nominations as stipulated by Chapter XI of these regulations.

50. The transmission operator may refuse to confirm a transfer of a capacity product booked if:
   50.1. information about the transfer of the capacity product is received only from one system user (one transaction party);
   50.2. the information submitted by the system users does not match or is incomplete;
   50.3. the quantity of the capacity product to be transferred by the system user exceeds the unused capacity.

**IX. Transmission System Congestion Management**

51. If a system user who requests capacity from the transmission system operator does not acquire the necessary capacity at the secondary capacity market within 10 business days from the day of dispatch of the transmission system operator notification set out in Article 58 of these regulations, the transmission system operator shall start the transmission system congestion management process and shall inform about this process on its website.

52. The transmission system operator shall manage the contractual congestion by taking the following measures:
   52.1. addressing the system users who have excess capacity and requesting information on the actual capacity requirements at a given entry or exit point in a given time period. The system users shall provide the requested information within five business days after receiving the request from the transmission system operator;
   52.2. accepting and reallocating the capacity products that the system users have voluntarily transferred for reallocation;
   52.3. reallocating the excess capacity that the transmission system operator acquires by enforcing capacity transfer on a “use or lose” basis.

53. The system users may transfer the booked firm capacity to the transmission system operator, except the day-ahead and within-day capacity product booked on gas day D-1.

54. The transmission system operator, having received the system user’s surrender notice regarding the booked firm capacity, shall immediately publish information on the quantity of capacity transferred and the entry and exit point where capacity is surrendered on the electronic transmission capacity booking website.

55. The transmission system operator shall allocate the transferred capacity if other system users wish to book the firm capacity at the specific entry or exit point. The transferred capacity shall be allocated after the available capacity determined before the transfer of capacities has been allocated. The transmission system operator shall immediately notify the system user who surrendered capacity under Article 53 of these regulations of allocation of the transferred capacity to another user pursuant to the standard communication protocol set out in Annex 4 to these regulations.

56. The system user shall retain its rights and obligations in relation to the transferred capacity until the transmission system operator has allocated it in full or in part to another system user.

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The system user shall be released from the obligation to pay for the reallocated capacity to the extent the transmission system operator has received payment from another system user for the transferred capacity. The transmission system operator shall allocate the transferred capacity as the available capacity pursuant to the capacity allocation principles laid out in Chapters V - VII of these regulations.

57. The transmission system operator shall enforce the transfer of capacity on a “use or lose” basis, if at least one of the following circumstances applies:

57.1. the system user at a given entry or exit point uses on average less than 80% of the booked annual capacity product per day without reasonable justification;

57.2. the system user at a given entry or exit point systematically nominates 90%-100% of the booked capacity product and renominates it downwards.

58. If the transmission system operator finds that the circumstances set out in Article 57 of these regulations apply, the transmission system operator shall notify the relevant system user pursuant to the standard communication protocol set out in Annex 4 to these regulations. The transmission system operator shall indicate in its notice the capacity requested by other system users and what maximum share of the unused capacity at the relevant entry or exit point may be transferred to other system users. The system user shall offer the unused capacity on the secondary market or shall transfer it to the transmission system operator within five business days after receiving the notice from the transmission system operator set out in this Article.

59. If a system user who has unused capacity provides a justification of need for the capacity within five business days after receiving the notice from the transmission system operator set out in Article 58 of these regulations, the transmission system operator shall inform the system user who requested the capacity that the requested capacity is not available.

60. If other system users request firm capacity and the system user who has unused capacity does not take the actions stipulated in Article 58 or does not provide a justification of need of the capacity pursuant to Article 59, the transmission system operator shall enforce the transfer of capacity with a prior notice to the system user.

61. If multiple system users have unused capacity and the transmission system operator enforces capacity transfer or if multiple system users notify of their intention to transfer their capacity to the transmission system operator, the transmission system operator shall transfer the capacity on a pro rata basis, which shall mean that:

61.1. the capacity quantity transferable by a system user is equal to the proportion of the capacity quantity booked but not nominated by the system user at the relevant point (where other system users require capacity) and the total capacity quantity booked but not nominated by all system users subject to the enforced capacity transfer at the relevant point, multiplied by the capacity quantity requested by another system user;

61.2. if multiple system users wish to transfer capacity, the transferable quantity shall be equal to the proportion of the capacity quantity booked but not nominated by the system user and requested for transfer at the relevant point (where other system users require capacity) and the capacity quantity not nominated and requested for transfer of all system users who have expressed their intention to transfer capacity, multiplied by the capacity quantity sought by other system users.

62. In the event of enforced capacity transfer, the system user who requests capacity is under the obligation to book the capacity product, paying the price calculated pro rata to the remaining period of the capacity product.

63. In the event of enforced capacity transfer from a system user who has unused capacity and
who is enforced the capacity transfer is enforced, the capacity product shall be transferred to another system user without compensation.

64. In the event of contractual congestion, the transmission system operator shall assess the nominations for the relevant gas day D submitted by the system users as per Chapter XI of these regulations and shall offer the unused firm capacity of gas day D on gas day D-1 on the primary capacity market as interruptible capacity at all entry and exit points, except the exit points listed in Articles 6.5 and 6.6 of these regulations.

X. General Provisions On Nominations and Renominations

65. A system user who requires a specified natural gas input or off-take quantity of the transmission system at the entry points listed in Articles 5.2, 5.3 and 5.4 of these regulations and exit points set out in Articles 6.2, 6.3 and 6.4 of these regulations, where there are capacity products booked, is under the obligation to submit a nomination to the transmission system operator pursuant to the standard communication protocol set out in Annex 4 to these regulations.

66. The nomination of a system user who requires a specified natural gas input or off-take quantity of the transmission system at the entry points listed in Articles 5.1 and 5.5 of these regulations and exit points set out in Articles 6.1 and 6.5 of these regulations, where there are capacity products booked, shall be determined based on a separate agreement on the provision of transmission system services at the entry and exit point where the allocation for gas day D is applied based on the measured quantity (allocation as measured).

67. A system user may correct the nomination by submitting to the transmission system operator a renomination pursuant to the standard communication protocol set out in Annex 4 to these regulations.

68. The capacity product booked by a system user shall not be changed when submitting to the transmission system operator a nomination or renomination.

69. If a system user does not submit a nomination for gas day D, the transmission system operator shall assume that the system user’s nomination equals zero.

70. If a system user does not submit nomination on two successive gas days D without justification, the transmission system operator shall request the system user to submit a nomination at each entry and exit point where the system user has booked capacity.

71. A system user’s nomination of the natural gas input quantity in the transmission system does not necessarily have to match the natural gas off-take quantity, and vice versa.

72. The transmission system operator may request a system user to provide additional information on the nominations, including a detailed forecast of the natural gas input and off-take quantities at each entry and exit point during the following gas month.

73. At the entry points listed in Articles 5.2, 5.3 and 5.4 of these regulations and the exit points listed in Articles 6.2, 6.3 and 6.4 of these regulations, the transmission system operator shall carry out continuous coordination of natural gas quantity with the adjacent transmission system operator or the storage operator in order to ensure that the planned natural gas inputs and off-takes at a given entry and exit point indicated in a system user’s nomination matches the planned natural gas input and off-take quantities indicated in the nomination submitted by the other transaction party.

74. If the natural gas quantities set out in paragraph 72 of these regulations do not match, the transmission system operator shall apply the lesser rule. After the matching of the quantity of
natural gas with the adjacent transmission system operator or the storage operator or the application of the lesser rule, the nomination shall be deemed to be confirmed and the transmission system operator shall send to the system user the notification set out in Article 77 of these regulations. Upon confirmation of the nomination, the transmission system operator shall inform the adjacent transmission system operator or the storage operator.

XI. Deadlines for the Submission and Confirmation of Nominations and Renominations

75. A system user may submit the nomination for gas day D no later than 15:00 (13.00 UTC winter time and 12.00 UTC summer time) on gas day D-1.

76. If a system user has nominated both firm capacity and interruptible capacity at a given entry and exit point, the transmission system operator shall assess the available capacity and confirm the natural gas quantity allocated to the system user within the limits of the booked firm and interruptible capacity.

77. If a system user has submitted nomination for gas day D within the deadline set out in Article 75 of these regulations, the transmission system operator shall notify the system user of the natural gas quantity confirmed for gas day D no later than 17:00 (15:00 UTC winter time and 14:00 UTC summer time) on gas day D-1 pursuant to the standard communications protocol set out in Annex 4 to these regulations, stating:

77.1. whether the nomination is confirmed;

77.2. whether the natural gas quantity indicated in the nomination has been reduced or rejected due to specific reasons (for example, lack of capacity or incorrect information in the nomination);

77.3. whether the natural gas quantity indicated in the nomination is reduced due to the procedure of natural gas quantity matching at the request of the transmission system operator or the adjacent transmission system operator.

78. Along with the notification laid down in Article 77 of these regulations, the transmission system operator shall record the changes in the system user’s balancing portfolio pursuant to the provisions of Chapter XIV of these regulations.

79. A system user may submit a renomination at any renomination period which shall begin immediately after the end of the nomination confirmation period and shall end three hours before the end of gas day D.

80. During the renomination period, a system user shall be entitled to adjust the confirmed nomination for all and the remaining hours of gas day D pursuant to the following:

80.1. the system user may adjust the confirmed nominations for all hours of gas day D from 17:00 (15.00 UTC winter time and 14.00 UTC summer time) on gas day D-1 and until 5.00 (3.00 UTC winter time and 2.00 UTC summer time) on gas day D-1;

80.2. the system user may adjust the confirmed nominations for the remaining hours of gas day D-1 from 5:00 (3.00 UTC winter time and 2.00 UTC summer time) on gas day D-1 and until 4.00 (2.00 UTC winter time and 1.00 UTC summer time) on gas day D;

81. Having received a renomination, the transmission system operator shall notify the system user whether the submitted renominations has been confirmed, whether the natural gas quantity has been reduced due to the matching procedure and whether the transaction party has submitted a renomination to the adjacent transmission system operator within two hours from the beginning of each renomination period set out in Article 80.1 and 80.2 of these regulations and pursuant to the standard communication protocol set out in Annex 4 to these regulations.
82. If a system user has nominated both firm and interruptible capacity at a given entry or exit point and the natural gas quantity indicated in the renomination is lower than in the initial nomination, the transmission system operator shall first reduce the nomination in the part related to the quantity of interruptible capacity allocated to the system user.

83. Changes in the nominated natural gas quantity under a renomination confirmed by the transmission system operator shall take place within two hours (at the beginning of each hour) from the beginning of the renomination period.

84. In the event of congestion, a firm capacity renomination shall meet the following conditions:
   84.1. the system user may renominate 10% to 90% of the capacity booked by the system user;
   84.2. if the nomination submitted by the system user exceeds 80% of the capacity booked by the system user, it is allowed upon renomination to increase half of the natural gas quantity not nominated. If the nomination submitted by the system user does not exceed 20% of the booked capacity, it is allowed upon renomination to reduce half of the nominated natural gas quantity.

85. The transmission system operator shall be entitled to reject a nomination or renomination, notifying the system user pursuant to the standard communication protocol set out in Annex 4 to these regulations no later than two hours after the end of the nomination submission period or the beginning of the renomination cycle, if:
   85.1. the content of the nomination or renomination does not comply with the requirements of Annex 4 to these regulations;
   85.2. the nomination or renomination was submitted by a person who is not entitled to do so under the transmission service contract;
   85.3. in the case of acceptance of a day-ahead capacity nomination and renomination, the indirect nominated flow indicator becomes negative;
   85.4. the nomination or renomination exceeds the quantity of capacity products allocated to the system user, except if, in the case of renomination, it is submitted to request an interruptible capacity product;
   85.5. in the case of acceptance of an hourly renomination, there is an expected change in the natural gas flow before the end of the renomination period.

86. The indirect nominated flow indicator shall be calculated by the following formula:

\[ P = R - \frac{A \times H}{24} \]

where

\( P \) – the flow indicator;
\( R \) – the renomination quantity (kWh/d);
\( A \) – the confirmed quantity (kWh/d);
\( H \) – hours passed on gas day D.

87. If the transmission system operator rejects a nomination, the transmission system operator shall use the last confirmed system user’s nomination or renomination, if any.

88. If a system user’s intended natural gas input quantity in the transmission system is not equal its intended natural gas off-take quantity, the transmission system operator shall not reject the system user’s nomination or renomination.

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89. If a system user has submitted multiple nominations or re-nominations, the transmission system operator shall review only the last duly submitted nomination or renomination for the specific entry or exit point.

90. In weighing whether a nomination or renomination has been submitted in due time, the transmission system operator shall consider the time of receipt of the nomination or renomination. If the system user does not receive a notice regarding the confirmed or rejected nomination or renomination within two hours from the sending of the nomination or renomination pursuant to the standard communication protocol set out in Annex 4 of these regulations, the system user shall immediately notify the transmission system operator.

91. The transmission system operator may only change the natural gas quantity indicated in a system user’s nomination and renomination in exceptional cases, if there is a potential safety risk to the transmission system caused by the transmission of the nominated or renominated quantity. The transmission system operator shall notify the system users of adjustments of the nominated and renominated natural gas quantity no later than one hour from the occurrence of the above conditions pursuant to the standard communication protocol set out in Annex 4 to these regulations.

92. The transmission system operator shall first confirm the natural gas quantity within the limits of the nominated and renominated firm capacity.

93. If multiple system users have booked interruptible capacity and the total natural gas quantity indicated in the nominations and renominations exceeds the available capacity, the transmission system operator shall interrupt the existing interruptible capacities of the system users, taking into consideration the time of booking of each interruptible capacity, first interrupting capacity for users who were last to book interruptible capacity.

94. At the entry points listed in Articles 5.1-5.3 of these regulations and the exit points listed in Articles 6.1-6.3 of these regulations, the transmission system operator shall accept the renomination from a system user only if there is a renomination matching procedure laid down in the cooperation agreement with the transmission system operator of the neighbouring state. The transmission system operator shall publish on its website information about the opportunity to submit renominations for the entry and exit points set out in this Article.

XII. Activities at the Virtual Trading Point

95. A system user shall carry out the transfer of the natural gas to another system user at the virtual trading point under a bilateral transaction. The natural gas quantity may be transmitted after its input into the system but before its off-take at the relevant exit point.

96. System users who have concluded a balancing agreement are permitted to carry out transactions at the virtual trading point. At the virtual trading point, the transfer of natural gas quantities between system users shall take place in accordance with the nominations and renominations for the relevant gas day D which shall be submitted by the system users involved in the virtual trading point transaction to the transmission system operator in accordance with the provisions laid down in Chapter XI of these regulations.

97. The transmission system operator shall notify the parties involved in the virtual trading point transaction about the receipt of nominations pursuant to the standard communication protocol set out in Annex 4 to these regulations.

98. If the quantities indicated in the nominations by the system users involved in the virtual trading point transaction match, the transmission system operator shall send a confirmation to the system users within two hours pursuant to the standard communication protocol set out in
Annex 4 to these regulations and shall register the changes in the system users’ balancing portfolios pursuant to the provisions of Chapter XIII of these regulations.

99. If the quantities indicated in the nominations or renominations by the systems users involved in the virtual trading point transaction do not match or are only submitted by one of the parties involved in the virtual trading point transaction, the operator shall apply the lesser rule.

XIII. Allocation Procedure

100. The transmission system operator shall allocate capacity for a system user for each gas day D at a specific entry or exit point.

101. A system user’s allocation at the entry points listed in Articles 5.1-5.3 of these regulations and the exit points listed in Articles 6.1-6.3 of these regulations for a given gas day D, provided there is a technical balancing agreement in place between the transmission system operators, shall equal the natural gas quantity indicated by the system user in the last nomination or renomination for that gas day D at the specific entry and exit point after matching the natural gas quantity with the adjacent transmission system operator.

102. A system user’s allocation at the entry points listed in Articles 5.1-5.3 of these regulations and the exit points listed in Articles 6.1 - 6.3 of these regulations, provided there is no technical balancing agreement in place between the transmission system operators, shall be determined as follows:

102.1. the natural gas quantity designed for input or off-take in reverse to the physical natural gas flow direction allocated to the system user is equal to the confirmed quantity of reverse natural gas flow;

102.2. the natural gas quantity input or offtaken in the physical natural gas flow direction shall be determined by the following formula:

\[ Q = (Q_{meas.} + Q_{tot.rev.nom.}) \times \frac{Q_{user.nom.}}{Q_{nom.total}}, \]

where

- \(Q\) – the allocation at the entry or exit point (kWh);
- \(Q_{meas.}\) – the measured natural gas quantity (kWh);
- \(Q_{tot.rev.nom.}\) – the total confirmed reverse flow quantity (kWh);
- \(Q_{user.nom.}\) - the natural gas quantity in the flow direction confirmed for the system user (kWh/d);
- \(Q_{nom.total}\) – the total natural gas quantity in the flow direction confirmed for all system users according to nominations (kWh/d).

103. A system user’s allocation at the entry point set out in Article 5.4 of these regulations or the exit point set out in Article 6.4 of these regulations for a given day D shall be equal to the natural gas quantity for that gas day D indicated in the last confirmed system user’s nomination or renomination.

104. The allocation at the entry point set out in Article 5.5 of these regulations and at the exit point set out in Article 6.5 of these regulations shall be determined based on the measured quantity.

105. A system user’s allocation in energy units at the entry point set out in Article 5.1 of these regulations and the exit point set out in Article 6.1 of these regulations shall be estimated by the transmission system operator based on the nomination in volumetric units submitted by the system user.
the system user and the actual upper calorific value of the transported natural gas at the entry point set out in Article 5.1 of these regulations and the exit point set out in Article 6.1 of these regulations.

106. At the entry and exit points where the allocation for gas day D is determined based on the measured quantity, a system user’s allocation shall be equal to the measured quantity. If the allocation exceeds the booked capacity product, the system user shall settle with the transmission system operator for the used capacity that was not booked as for a day-ahead capacity product.

107. For the exit point set out in Article 6.6 of these regulations, the transmission system operator shall set the gas day D allocation in accordance with the information submitted to the transmission system operator by the distribution system operator taking into consideration the information provided by the distribution system operator regarding the actual measured natural gas quantity on gas day D for the system user, or by the adjacent transmission system operator pursuant to the cooperation agreement.

108. The distribution system operator shall be responsible for the measured natural gas quantity and energy data obtained from the distribution system.

109. The transmission system operator shall announce to the system user the allocation for gas day D at the specific entry and exit point no later than 14:00 (12.00 UTC winter time and 11.00 UTC summer time) on gas day D+1 pursuant to the standard communication protocol set out in Annex 4 to these regulations.

110. In the event of damage to the commercial natural gas meter installed at the exit point set out in Article 6.5 of these regulations, the transmission system operator shall ensure replacement of the commercial meter and adjustment of the allocation, calculating the natural gas quantity per day based on the average natural gas consumption over the last three gas days D. The transmission system operator shall notify the system user and substantiate the adjustment of data pursuant to the standard communication protocol set out in Annex 4 to these regulations.

111. If the transmission system operator finds damage to the commercial meter installed at the exit point set out in Article 6.5 of these regulations that has resulted from a system user’s non-compliance with the allowed maximum load, the transmission system operator shall carry out an inspection of the commercial meter. The system user shall cover the expenses related to the inspection of the commercial meter.

112. If a system user finds damage to a commercial meter with remote (telemetric) data transmission, the system user shall notify the transmission system operator of the damage and immediately take action to restore the transmission of telemetric data.

113. The transmission system operator shall set out the principles of exchange of data from inspections of the metering systems installed at the relevant entry and exit points, telemetric and measurement data with the distribution system operator, storage operator and the adjacent transmission system operators in the respective cooperation agreements.

XIV. Balancing Provisions

114. The system user shall be responsible for matching the natural gas input quantity with the natural gas off-take quantity during the balancing period. The system user shall take all necessary steps to prevent daily imbalance.

115. The transmission system operator shall perform the technical balancing of the transmission system if required pursuant to the Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.
116. The legal relationship between the system user and the transmission system operator in terms of ensuring a balanced operation of the transmission system shall be set out in a balancing agreement (Annex 3).

117. After the conclusion of a balancing agreement the transmission system operator shall create the system user’s balancing portfolio and assign a balancing portfolio identification number. The transmission system operator shall create and maintain a balancing portfolio system.

118. The balancing period shall be gas day D. The balancing area shall be the transmission system operator’s natural gas transmission license area.

119. The transmission system operator shall provide the system user with all the information necessary for the prevention of imbalance and for settlements.

120. The transmission system operator shall carry out the balancing calculations based on the natural gas allocations during the balancing period.

121. The system users may transfer a natural gas quantity already registered in the balancing portfolio of one system user to another balancing portfolio through the virtual trading point pursuant to the provisions of Chapter XII of these regulations.

122. Based on the allocation made pursuant to the provisions of Chapter XII of these regulations, on gas day D+1 until 14.00 (12.00 UTC winter time and 11.00 UTC summer time) the transmission system operator shall announce to the system users along with the allocation the gas day D imbalance quantity pursuant to the standard communication protocol set out in annex 4 to these regulations.

123. Upon receiving updated information from the distribution system operator or the adjacent transmission system operator regarding allocations at the entry or exit points where allocation is done according to the “allocated as measured” principle, the transmission system operator shall recalculate the imbalance. The imbalance recalculation period shall not exceed two gas months.

124. If a system user’s total natural gas input quantities on gas day D equal the total natural gas off-take quantities on gas day D, the system user has balance on this gas day D.

125. If a system user’s total natural gas input quantities are not equal to the total natural gas off-take quantities on gas day D, the system user has imbalance on this gas day D. The transmission system operator shall calculate the gas day D imbalance quantity for the system user’s balancing portfolio as the difference between the natural gas quantity input into the transmission system and the natural gas quantity offtaken from the transmission system and shall apply the daily imbalance charge pursuant to Articles 130 and 131 of these regulations.

126. If a system user does not ensure that the natural gas quantity input into the transmission system matches the natural gas quantity offtaken from the transmission system over the balancing period, the transmission system operator shall sell the shortfall natural gas to the system user or shall purchase the excess natural gas from the system user, thus ensuring the balance between the transmission system input and the transmission system off-take quantities.

127. For the calculation of the imbalance charge, the transmission system operator shall calculate the natural gas purchase price for each gas day D in accordance with the average weighted natural gas price, at which the transmission system operator has purchased the gas from the natural gas traders selected via public procurement procedure to provide the technical balancing of the transmission system, plus 5% correction. If the transmission system operator has not purchased natural gas to provide the technical balancing of the transmission system on gas day D, the purchase price shall be determined by convenience, plus 5% correction.
128. For the calculation of the imbalance charge, the transmission system operator shall calculate the natural gas sale price for each gas day D in accordance with the average weighted natural gas price, at which the transmission system operator has sold the gas to the natural gas traders selected by public procurement procedure to ensure the technical balancing of the transmission system, minus 5% correction. If the transmission system operator has not sold natural gas to ensure the technical balancing of the transmission system on the gas day D, the sale price shall be determined by the merit order, minus 5% correction.

129. The transmission system operator shall publish the monthly balancing natural gas purchase and sale price on its website until the 15th day of the following month.

130. A system user’s imbalance quantity during the balancing period that does not exceed 5% of the entry point allocations for the relevant gas day D shall be calculated as follows:

\[ N_m = Q_5 \times C \]

where

- \( N_m \) – the imbalance charge;
- \( Q_5 \) – the natural gas imbalance quantity up to 5% of the entry point allocations (kWh);
- \( C \) – natural gas purchase or sale price (EUR/kWh).

131. A system user’s imbalance quantity during the balancing period that exceeds 5% of the entry point allocations for the relevant gas day D shall be calculated as follows:

131.1. if the balance is < 0, \( N_m = Q_5 + Q_{\geq 5} \times C \times 1,10 \)

131.2. if the balance is > 0, \( N_m = Q_5 + Q_{\geq 5} \times C \times 0,90 \),

where \( Q_5 \) – the natural gas imbalance quantity above 5% of the entry point allocations (kWh);

132. If a system user abuses the balancing procedure for its commercial interests or benefit or its imbalance reaches the amount of collateral set out in Chapter XVIII of these regulations, the transmission system operator shall be entitled to suspend the transmission system service or to request the system user to increase the collateral to ensure that the system user is able to fulfil the obligations of the system balancing agreement.

XV. Settlements for the Transmission System Services and Imbalance

133. The system users shall settle for the transmission system services in accordance with the deadlines and procedures set out in the system service contract and pursuant to the transmission system service tariffs set out in the Energy Law.

134. The system users shall settle for imbalance in accordance with the deadlines and procedures set out in the balancing agreement.

135. The transmission system operator shall prepare a summary of the natural gas quantity transmitted for each reporting period (month) based on the transmission system operator’s data or on the records of the exit point specified in Article 6.5 of these regulations, or the statement of natural gas transfer, and shall submit it to the system user along with the invoice.

XVI. Natural Gas Metering and Quality Control

136. The transmission system operator shall publish on its website the points of natural gas reception, transfer and quality control, as well as the technical standards and requirements for quality control.

137. The transmission system operator, in cooperation with the neighbouring state transmission system operator, shall ensure the accounting of the transmitted natural gas at the entry and
exit points and the natural gas metering locations, recording the quantity, pressure and temperature of the transmitted natural gas on regular basis.

138. The transmission system operator shall ensure the use of energy units (kWh) in the natural gas accounts and reports.

139. The energy value of natural gas quantity in kilowatt hours (kWh) shall be determined by multiplying the natural gas quantity in cubic meters under standard conditions by the upper calorific value in kWh/m³.

140. The transmission system operator shall keep record of the following quantities of natural gas transmission at the entry and exit points in accordance with the volumetric and energy units used at the metering locations:

140.1. the natural gas quantity transmitted per hour;
140.2. the maximum natural gas quantity transmitted in one hour over a day;
140.3. the daily natural gas transmission quantity expressed as the sum of the natural gas quantities transmitted in each hour of the day;
140.4. the natural gas quantity transmitted in the calendar month expressed as the sum of the natural gas quantities transmitted on each day of the month;
140.5. the natural gas quantity transmitted in the calendar year expressed as the sum of the natural gas quantities transmitted in each month of the year.

141. The metering of biogas and gas produced from biomass, as well as liquefied natural gas for input in the transmission system and quality assurance shall be provided at the relevant entry point of the transmission system. The record-keeping and quality assurance of gas at the entry points shall be provided by the system user; at the exit points – by the transmission system operator. A system user who inputs the gas referred to in this Article into the transmission system shall provide a continuous detection of the physical and chemical parameters of combustible gas by using a certified meter, as well as the collection of metering data and a continuous remote access of the transmission system operator to this information.

142. The metering of natural gas at the entry points listed in Articles 5.1-5.4 of these regulations and the exit points listed in Articles 6.1-6.4 of these regulations shall be carried out pursuant to the cooperation agreements concluded by the transmission system operator with the transmission system operators in other states and the storage operator.

143. The daily energy value of the natural gas quantity at the entry point set out in Article 5.5 of these regulations and the exit point set out in Article 6.5 of these regulations shall be determined based on the natural gas parameter measurements or based on the daily average upper calorific value used to determine the quantity and quality of the natural gas.

144. The transmission system operator shall determine the upper calorific value at the entry point set out in Article 5.5 of these regulations and the exit point set out in Article 6.5 of these regulations every day based on calculations or commercial meter readings.

145. The natural gas energy value offtaken over a day at the exit point set out in Article 6.5 of these regulations shall be calculated by multiplying the natural gas quantity measured by the commercial meter by the average upper calorific value determined at the exit point set out in Article 6.5.

146. If natural gas is input at the entry point set out in Article 5.5 of these regulations or offtaken at the exit point set out in Article 6.5 of these regulations:
146.1. the connection contract shall stipulate the allowable maximum natural gas flow at standard conditions, the allowable minimum natural gas flow at standard conditions, and the natural gas pressure at the natural gas exit point of the relevant system user;

146.2. the natural gas flow may not exceed the allowed measurement limit of the installed commercial meter (exceed the maximum allowed natural gas flow at standard conditions or be below the minimum allowed natural gas flow at standard conditions);

146.3. the transmission system operator shall ensure the conformity of the commercial meter to the requirements of the regulations on the metrological requirements for meters, as well as the regulations on the procedure for the type approval, initial verification and market surveillance of metering devices. The location of the commercial meter must be sealed by a transmission system operator’s seal;

146.4. if the natural gas flow does not reach the minimum natural gas flow at standard conditions due to the system user’s fault, the natural gas flow shall be calculated pursuant to the minimum allowed natural gas flow at standard conditions provided by the connection contract;

146.5. the natural gas quantity transferred to the system user shall be agreed on the first business day after the end of the reporting period (month).

XVII. Suspension or Restriction of the Transmission System Service

147. The transmission system operator is entitled to suspend or restrict the input of natural gas in the transmission system, its transmission and off-take from the transmission system without prior warning in the following cases:

147.1. the system user’s natural gas supply system directly connected to the transmission system presents a risk to human life, health or property;

147.2. the pressure of the natural gas input flow does not meet the requirements set out in the cooperation agreement between natural gas supply system operators or the connection contract;

147.3. an accident has occurred in the transmission system or there is an emergency situation;

147.4. an energy crisis has been announced under the Energy Law;

147.5. the transmission system, the Latvian natural gas distribution system or the storage is damaged which may cause transmission system accidents;

147.6. the transmission system, the Latvian natural gas distribution system or the storage has deviated from normal operation or the transmission system, the Latvian natural gas distribution system or the storage has been damaged and the adjacent transmission system operator, distribution system operator or storage operator has requested to immediately stop the transmission of natural gas to or from such system;

147.7. the input of natural gas at the entry points set out in Articles 5.1-5.3 of these regulations is suspended or restricted for reasons beyond the transmission system operator’s control and the transmission system operator does not have sufficient natural gas reserves;

147.8. the functioning and safety of the transmission system is compromised due to imbalance caused by the system user;

147.9. it is necessary to perform emergency repairs to resolve an emergency situation in the transmission system or in the storage;

147.10. the quality indicators of the natural gas input into the transmission system do not
comply with the natural gas quality requirements set out by the laws and regulations on the requirements for the transmission of bio-methane and liquefied natural gas in a natural gas transmission and distribution system.

148. If the transmission of natural gas is suspended or restricted under Article 147 of these regulations, the transmission system operator shall publish information about the suspension or restriction of the transmission system service on its website no later than 24 hours after the suspension or restriction of the transmission system service and shall notify the system users as stipulated by the transmission system service contract.

149. The transmission system operator may suspend or restrict the input of natural gas in the transmission system, its transmission and off-take from the transmission system by notifying the system user at least five days in advance in the following cases:

149.1. the system user through its act or omission causes threat to the operation and safety of the transmission system or has a negative impact on the quality of natural gas;

149.2. the system user prevents the transmission system operator, the distribution system operator, or employees servicing the natural gas metering system from accessing the territory or premises where the transmission system is located in order to install, supervise or replace the natural gas meters or record their readings;

149.3. in other cases provided by the law and the transmission system service contract.

150. If there are circumstances that indicate the possibility of an emergency situation in the transmission system, the transmission system operator shall be entitled to prevent or limit the system user’s use of transmission system capacities.

151. The transmission system operator shall publish information about scheduled transmission system maintenance, repair, connection, disconnection or dismantling works on its website at least 30 days in advance and shall notify the system users as stipulated by the transmission system service contract.

152. The transmission system operator shall not compensate any damages incurred by the system users in the events described in Articles 147, 149 and 150 of these regulations.

**XVIII. Collateral**

153. The transmission system operator shall review the information set out in Article 13.5 of these regulations in order to evaluate the necessity to request the system user to provide a collateral (in the form of a financial service provider’s guarantee or a security deposit) upon conclusion of the transmission system service contract or the balancing agreement.

154. The system user shall submit to the transmission system operator an updated information about the system user’s credit rating at least once a year. The system user shall immediately notify the transmission system operator of any changes to the system user’s credit rating.

155. The transmission system operator may request the system user to provide a collateral (in the form of a financial service provider’s guarantee or a security deposit) upon conclusion of the transmission system service contract or the balancing agreement or during the validity period of the transmission system service contract or the balancing agreement in order to cover the payment obligations arising from the transmission system service contract or the balancing agreement, if:

155.1. the transmission system operator has a reason to consider that the system user is unable to cover its obligations arising from the transmission system service contract or the balancing agreement in full or in part;
155.2. the system user is under insolvency or liquidation proceedings;
155.3. the system user does not have an appropriate credit rating pursuant to the criteria set out in Article 156 of these regulations;
155.4. the system user has delayed payments twice in 12 months.

156. The system user’s credit rating shall be deemed appropriate, if it complies with at least one of the following criteria:

156.1. a long-term rating of BBB- or higher under Standard & Poor’s;
156.2. a rating of BBB- or higher under Fitch;
156.3. a long-term rating of Baa3- or higher under Moody’s;
156.4. a risk class rating of II or higher under Creditreform, or an equivalent rating of another recognised credit agency or rating agency.

157. If the system user does not agree with the transmission system operator’s findings regarding the system user’s non-compliance with the credit rating, the system user may submit to the transmission system operator a relevant proof of its creditworthiness. Such evidence may be submitted in the form of an auditor’s certification, a certification of sufficient liquidity by a financial service provider, a current annual report or any other information pertaining to the system user’s creditworthiness.

158. The system user may choose the type of collateral (a security deposit or a financial service provider’s guarantee).

159. The system user shall submit the collateral to the transmission system operator within seven business days from the receipt of the transmission system operator’s request.

160. A financial service provider’s guarantee shall be recognised by the transmission system operator as a suitable collateral if it meets the following conditions:

160.1. the guarantee is issued by a financial service provider whose or whose group’s credit rating of long-term borrowing in foreign currency is at least Baa1 according to Moody’s or BBB+ according to the Standard&Poor’s, or BBB+ according to Fitch Ratings. If the financial service provider or its group has been granted the required long-term borrowing rating by at least one credit agency mentioned in this Article, the guarantee provided by such financial service provider or its group shall be deemed suitable;

160.2. it is an irrevocable first demand guarantee.

161. The collateral must be valid for the entire duration of the transmission system service contract and the balancing agreement.

162. The transmission system operator shall set the collateral in the double amount of the system user’s average monthly payment for capacity over the last 12 months. If the period of use of the transmission system is shorter than 12 months, this period shall be used for setting the amount of the collateral, but the collateral shall not be less than 25,000 EUR (twenty five thousand euros).

163. If the system user’s obligations under the transmission system service contract or the balancing agreement exceed the collateral amount, the transmission system operator shall be entitled to request the system user to increase the collateral and to provide to the transmission system operator within seven business days a new collateral that meets the provisions of this Chapter.
164. If the system user does not renew the collateral or does not increase the collateral amount within 20 business days from the moment the collateral no longer complies with the provisions of this Chapter, the transmission system operator shall be entitled to terminate the provision of the transmission system services as stipulated by the transmission system service contract until the system user provides a new collateral that fulfills the provisions of this Chapter or increases the current collateral. While the services are not provided, the transmission system operator shall be entitled to allocate the transmission capacity booked by the system user to another system user as unused capacity.

165. Upon termination of the transmission system service contract or the balancing agreement, the transmission system operator shall return the collateral to the system user within five business days in the amount not used to discharge the system user’s outstanding obligations or shall return the original of the financial service provider’s guarantee.

XIX. Final Provisions


167. The booking of new products pursuant to the provisions of Chapters V-VII of these regulations shall start from 20 April 2017.

168. The submission and confirmation of nominations pursuant to the provisions of Chapter XI of these regulations shall start from 30 April 2017.

169. Until the conclusion of the procurement agreement for the activities set out in Article 115 of these regulations the transmission system operator shall purchase natural gas for the technical operation of the transmission system from the trader with whom there is a relevant agreement in force on 31 March 2017. The transmission system operator shall announce a procurement for the activities set out in Article 115 of these regulations within two months from the day of entry into force of these regulations.

170. Article 131 of these regulations shall enter into force on 1 November 2017. Until 31 October 2017 the imbalance charge shall be calculated pursuant to Article 130 of these regulations regardless of the amount of imbalance.

171. Until the entry into force of the natural gas transmission system service tariffs calculated in accordance with the resolution of the Public Utilities Commission No.1/29 of 28 November 2016 “Methodology of calculation of natural gas transmission system service tariffs”:

171.1. the fee for capacity booking at the entry points set out in Article 5.1-5.4 shall correspond to the cross-border transmission system service base tariff approved in compliance with the resolution of the Public Utilities Commission No. 247 of 24 July 2008 “On the natural gas supply tariffs of the Joint Stock Company “Latvijas Gāze”” multiplied by the length of the transmission system pipeline in the cross-border transmission system from the specific entry point to the midpoint of the cross-border transmission system;

171.2. the fee for capacity booking at the entry points set out in Articles 6.1-6.4 shall correspond to the cross-border transmission system service base tariff approved in compliance with the resolution of the Public Utilities Commission No. 247 of 24 July 2008 “On the natural gas supply tariffs of the Joint Stock Company “Latvijas Gāze”” multiplied by the length of the transmission system pipeline in the cross-border transmission system from the midpoint of the cross-border transmission system to the specific exit point;

171.3. the fee for the use of the exit points set out in Articles 6.5 and 6.6 of these regulations shall correspond to the cross-border transmission system service base tariff approved

172. On the day after the entry into force of these regulations, the transmission system operator shall publish on its website the length of the transmission system pipeline from the midpoint of the cross-border transmission system to the entry and exit points set out in Articles 5.1-5.4 and 6.1-6.4 of these regulations.

173. The applications for the right to use the transmission system submitted to the transmission system operator until the day of entry into force of these regulations shall be assessed by the transmission system operator pursuant to these regulations.

174. The system users who have a transmission system service contract and a balancing agreement with the transmission system operator in force on 31 March 2017 and who want to continue to receive the transmission system services shall be under the obligation to submit to the transmission system operator the application and documents set out in Article 13 of these regulations until 20 May 2017. Until the conclusion of a new transmission system service contract and balancing agreement, the transmission system operator and the system user shall comply with the provisions of the transmission system service contract and balancing agreement in force on 31 March 2017 insofar as they are not in conflict with these regulations.

175. The regulations shall enter into force on the next day after their publication in the Official Gazette “Latvijas Vēstnesis”.

Chairman of the Commission       R.Irklis
Application for the right to use natural gas transmission system

No. ___________ /Place of preparation/

Addressee: Transmission system operator __________, unified registration number, legal address

Applicant: ________________

EIC code*:
Legal address:
Phone number:
E-mail address:
Fax number:
Bank details:
VAT registration number:

Note
* To be specified if the applicant has been given an EIC code.

I hereby request the right to use the natural gas transmission system of ________________ and conclude a transmission system service contract under the regulations of use of the natural gas transmission system.

Information about the representative

The person authorised to represent the applicant and to conclude a transmission system service contract

Name, Surname Position Phone No., e-mail, fax No.

Contact information which the transmission system operator may use at any time for communication with the system user

Phone No. E-mail
Appended documents

1. ☐ A document that proves that the applicant has registered for commercial activity pursuant to the laws and regulations of the relevant country.
   *______________________________________________________________

2. ☐ A proof of representation if the application is signed by a person who is not a member of the applicant’s administrative body.
   *______________________________________________________________

3. ☐ A document that proves that the applicant is not under insolvency proceedings, the applicant’s economic activity has not been suspended, and the applicant is not under liquidation.
   *______________________________________________________________

4. ☐ 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 applicant’s economic and financial position in accordance with the regulatory acts of the relevant country.
   *______________________________________________________________

5. ☐ Information about the applicant’s credit rating granted by a commonly known credit agency or rating agency.
   *______________________________________________________________

(please mark with “x” as appropriate)

*If the document is available in an official publication or a public register of the country, the website shall be specified.

The applicant confirms that he/she has acquainted himself/herself with the regulations of use of the natural gas transmission system.

The applicant confirms that he/she commits to submit a collateral (a security deposit or a guarantee by a financial service provider) at the transmission system operator’s request.

Contact information of the person submitting the application

(name, surname) (signature) (position) (phone no., e-mail, fax)

Receipt of the application (to be completed by the transmission system operator)

Registration number
RegISTRATION DATE

Chairman R.Irklis
Transmission System Service Contract No.____

Riga ______, 201_ 

________________________________________(unified registration No. ____________),
hereinafter – the Transmission system operator, represented under the Articles of Association / a commercial power of attorney by _______________________, on the one part, and _____ merchant name (unified registration No._______), hereinafter – the System user, represented under the grounds of representation by ______, on the other part, hereinafter together – the Parties, each separately – a Party, based on the application for the right to use the transmission system submitted by the System user to the Transmission system operator on ______ __, 20__, enter into the following contract, hereinafter – the Contract:

1. Terms Used in the Contract

The terms in this Contract are used within the meaning of the Energy Law and the Regulations of use of the natural gas transmission system (hereinafter – the Regulations of use of the transmission system).

2. Subject of the Contract

2.1. During the validity period of the Contract the Transmission system operator commits to perform the transmission of the natural gas owned (held, possessed) by the System user pursuant to the System user’s requests for transmission system capacity booking of the respective duration and the System user’s nominations and renominations for the natural gas quantity which the System user wishes to input into the transmission system or offtake from it.

2.2. By entering into the Contract the System user shall obtain the right to use the transmission system owned by the Transmission system operator, including the right to book capacities of the respective duration, to submit nominations and renominations, and to take other actions foreseen in the Regulations of use of the transmission system.

3. Conditions of Provision of Transmission System Services

3.1. The transmission system services shall be provided pursuant to the procedure and deadlines stipulated in the Regulations of use of the transmission system.

3.2. During the validity period of the Contract, the deadline of provision of each system service, which the System user wishes to receive pursuant to the request for system capacity booking of a certain duration, shall expire upon fulfilment of the respective nomination.

3.3. The rights and obligations of the Parties are laid down in the Regulations of use of the transmission system.

4. Collateral

4.1. At the Transmission system operator’s request the System user shall, pursuant to the Regulations of use of the transmission system, submit to the Transmission system operator a collateral (submit the original of a financial service provider’s guarantee or pay a security deposit).
4.2. Upon termination of the Contract, the Transmission system operator shall within five working days refund to the System user the sum of collateral not spent to discharge the System user’s outstanding obligations or return to the System user the original of the financial service provider’s guarantee submitted.

5. **Transmission System Service Fee**

5.1. The System user shall pay for the transmission system services (the booking of transmission system capacities at the entry and exit point) under the tariffs set pursuant to the procedure stipulated in the Energy Law.

5.2. Taxes shall apply pursuant to the legislation of the Republic of Latvia.

5.3. By the 10th day of each month, the Transmission system operator shall send to the System user an invoice for the transmission system services provided in the previous month.

5.4. The Transmission system operator shall send the invoice to the System user’s e-mail address specified in the Contract. The invoice shall be valid without signature and it shall be replaced with authorisation or signed with a secure electronic signature. The day of receipt of the invoice shall be the day of its dispatch.

5.5. The System user shall pay for the transmission system services received in a calendar month by the 15th day of the following calendar month.

5.6. If the final day of the deadline of invoice payment falls on a Saturday, Sunday or national holiday of the Republic of Latvia, the final day of the deadline of invoice payment shall be the following working day.

5.7. All payments shall be made in euros to the Transmission system operator’s account specified in the Contract.

5.8. The date of payment shall be the day when funds are transferred into the Transmission system operator’s current account.

5.9. If the System user fails to pay for the transmission system services provided in the reporting period within the deadline specified in Article 5.5 of the Contract, the Transmission system operator shall calculate interest of late payment at a rate of 0.15% of the amount not timely paid for each day of delay. Interest of late payment shall be calculated once per month and identified along with other information in the invoice for the transmission system services provided in the previous month.

5.10. If the Transmission system operator finds that the natural gas quantity transmitted in the reporting period differs from the one registered earlier and the invoice for the transmission system services provided in that reporting period issued to the System user should therefore be updated, the Transmission system operator shall do one of the following for the difference found:

5.10.1. issue a separate invoice which the System user is due to pay within seven calendar days from the day of dispatch of the invoice, or;

5.10.2. reduce the amount of the System user’s next invoice.

5.11. The Transmission system operator may make the recalculation referred to in Article 5.10 of the Contract for a period not exceeding three months.

5.12. All payments received shall be attributed in the following order, regardless to what is stated in the System user’s payment documents: 1) interest of late payment; 2) debt for the previous reporting period; 3) current payments.
5.13. If the System user fails to pay for the transmission system services pursuant to the procedure stipulated in the Contract within 10 working days after the Transmission system operator has sent a notice, the Transmission system operator may use the collateral in the amount of the sum not timely paid and the interest of late payment calculated. In such case, within 20 working days after the collateral is used the System user shall submit to the Transmission system operator a new collateral that meets the conditions of the Regulations of use of the transmission system.

5.14. If the System user does not meet the obligation stipulated in Article 5.13 of the Contract, the Transmission system operator may suspend the transmission system services until the System user meets the obligation stipulated in Article 5.13 of the Contract.

5.15. The suspension of the transmission system services shall be without prejudice to the calculation of interest of late payment under the Contract and the System user’s obligation to pay it.

5.16. If the Transmission system operator fails to provide the transmission system services within the deadlines specified in the Regulations of use of the transmission system, the Transmission system operator shall pay to the System user a contractual penalty of 0.15% of the amount of the transmission system services not timely provided for each day of delay. The Transmission system operator shall not be obliged to pay a contractual penalty if the non-provision of the transmission system services to the System user has occurred under Article 8 of the Contract.

5.17. Termination of the Contract shall not relieve the Parties from the financial obligations emerged during the validity period of the Contract.

6. Natural Gas Metering and Quality

6.1. For each reporting period, according to the data provided by the natural gas distribution system operator or according to the data of commercial metering of the System user’s gasified facility, the Transmission system operator shall prepare a summary of the natural gas quantity transferred in the transmission system and submit it to the System user together with the invoice for the transmission system services.

6.2. Natural gas metering and quality control shall take place in compliance with the Regulations of use of the transmission system.

6.3. If the quality of natural gas does not meet the requirements of the Regulations of use of the transmission system, the Transmission system operator may refuse to input such gas into the transmission system and suspend the transmission system services. In such case, the Transmission system operator shall not be obliged to compensate the possible losses caused to the System user through suspension of the transmission system services, whereas the System user’s balance responsibility remains.

6.4. In the case referred to in Article 6.3 of the Contract, the transmission system service fee shall be calculated by reducing it pro rata to the period when the transmission system services were suspended.

7. Liability of the Parties

7.1. The Parties shall be liable for the performance of the Contract. Either Party shall compensate losses incurred by the other Party if the guilty Party improperly performs or does not perform the Contract.

7.2. A Party shall not be held liable for losses caused by the other Party to third parties (final consumers, the adjacent transmission system operator).

7.3. A Party having properly performed its obligations under the Contract shall be entitled to request a full performance of obligations by the other Party.
7.4. The Parties shall be relieved of liability for a non-performance or poor performance of the Contract if caused by the force majeure circumstances specified in the Contract.

7.5. The System user shall perform all statutory procedures related to natural gas movement (incl. customs procedures) and within three working days after the completion of customs procedures submit to the Storage operator copies of documents proving completion of customs procedures.

8. Suspension or Restriction of Transmission System Services

The Transmission system operator may suspend or restrict the transmission system services in the cases and pursuant to the procedure stipulated in the Regulations of use of the transmission system and the Contract.

9. Applicable Law and Settlement of Disputes

9.1. The Contract has been drawn up and the legal relationship resulting from the Contract shall be governed, enforced and construed under the effective legislation of the Republic of Latvia.

9.2. All disputes and disagreements (hereinafter in this article – a Dispute) between the Parties shall be settled through negotiations. 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.

9.3. If a Dispute cannot be settled through negotiations within 30 days from its emergence (unless the authorised representatives of the Parties have agreed upon a different deadline), it shall be settled pursuant to the procedure stipulated by the effective legislation of the Republic of Latvia.

10. Force Majeure

10.1. The Parties shall not be held liable for a full or partial non-performance of the Contract obligations if caused by force majeure circumstances. For the purposes of this article, force majeure circumstances shall be an obstacle that has occurred beyond the control of the affected Party, prevents it from performing its obligations under the Contract, and cannot by eliminated by the Party. Primarily such circumstances are catastrophes, fire, earthquakes and other natural phenomena, warfare, economic sanctions, embargoes, injunctions or orders by courts or administrative or public authorities or any other circumstances which the Parties could not foresee at the time of entering in the Contract.

10.2. Individual obstacles to the performance of the Contract obligations having occurred at the time when the defaulted Party delayed the performance of its Contract obligations shall not be considered force majeure circumstances.

10.3. If force majeure circumstances persist for more than 30 calendar days, the Parties shall enter into negotiations over a suitable solution for the performance of the Contract obligations. In such case the termination of the Contract shall only be possible by mutual agreement of the Parties.

10.4. The Parties shall immediately notify each other of force majeure circumstances. If the Parties do not notify of force majeure circumstances, the Parties may not invoke them as grounds of non-performance of the Contract.

10.5. When the force majeure circumstances are no longer in place, the Parties 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 Parties.

11. Validity Period, Amendment and Termination of the Contract

11.1. The Contract shall come into force when signed by both Parties and shall remain in force indefinitely.
11.2. Amendments or supplements to the Contract may be made by agreement between the Parties. All amendments and supplements to the Contract shall be made in writing and shall come into force when signed by both Parties.

11.3. The Contract may be terminated by written agreement between the Parties or unilaterally under Article 11.4 of the Contract.

11.4. Either Party may unilaterally terminate the Contract if the other Party improperly performs or does not perform its obligations under the Contract for more than 30 calendar days. In such case the Party wishing to terminate the Contract on such grounds shall at least 30 calendar days before the termination of the Contract notify the other Party thereof in writing, specifying the reason of termination of the Contract. The Contract shall be deemed terminated as of the day specified in the notice.

11.5. The System user may unilaterally terminate the Contract, subject to the following:

11.5.1. if the period of provision of the transmission system service is a gas quarter or less, the System user may terminate the Contract at any time, with a written notice to the Transmission system operator at least 10 working days in advance and a full payment for the transmission system services by the end of the usage period of the confirmed transmission system capacity specified in the nomination of the respective period;

11.5.2. if the period of provision of the transmission system service is a gas year or more, the System user may terminate the Contract at any time, with a written notice to the Transmission system operator at least 10 working days in advance and a 95% payment for the transmission system services by the end of the usage period of the confirmed transmission system capacity specified in the nomination of the respective period.

12. Exchange of Information

12.1. By entering into the Contract the Parties commit to observe the deadlines and ways of communication stipulated in the Regulations of use of the transmission system.

12.2. The actions specified in the Regulations of use of the transmission system (the booking of capacities, the submission of nominations and renominations etc.) may only be carried out by persons duly authorised by the System user.

12.3. The exchange of information between the Transmission system operator and the System user shall take place electronically, with information sent to the electronic mail addresses of the Parties specified in the Contract.

12.4. All information that has become known to the Parties due to the conclusion of the Contract and the performance of the Contract obligations constitutes a business secret and may not be disclosed to third parties without a prior written consent of the authorised representatives of the Parties, except information to be disclosed under the Regulations of use of the transmission system or other regulatory enactments.

12.5. The Transmission system operator shall provide information pertaining to the performance of the Contract obligations to other natural gas supply system operators insofar as necessary for a proper compliance with the Regulations of use of the transmission system and the Contract.

12.6. Termination of the Contract shall not relieve the Parties from the obligation of non-disclosure of business secret.


13.1. The Parties may not transfer or assign any of their obligations under the Contract to a third party without a prior written consent of the other Party.
13.2. If any provisions of the Contract become invalid, the other provisions of the Contract shall not be affected.

13.3. Within three working days after signing this Contract, the Parties shall notify each other of persons authorised to perform the duties stipulated in this Contract and their contact details and shall immediately advise of changes in this information during the validity period of the Contract.

13.4. The Contract has been executed in Latvian on ___ pages and signed in two copies, with one stored at the System user and the other at the Transmission system operator. Both copies of the Contract are of equal legal force.

14. Details of the Parties

**Transmission system operator:**

Registration No.____________________
VAT registration No.____________________
Legal address:______________________
Phone: ______________________________
Fax: ______________________________
E-mail: ____________________________
Bank details:_____________________

**System user:**

Registration No.____________________
VAT registration No.____________________
Legal address:______________________
Phone: ______________________________
Fax: ______________________________
E-mail: ____________________________
Bank details:_____________________

Chairman R.Irlis
Annex No.3

to the Resolution No. 1/16 of April 13, 2017

do the Public Utilities Commission

Balancing Agreement No. ___

Riga 201_ ___________

________________________ (unified registration No.40203041605), hereinafter – the Transmission system operator, represented under the Articles of Association / a commercial power of attorney by ____________, on the one part, and _______ merchant name (unified registration No._______), hereinafter – the System user, represented under the __ grounds of representation by ________________, on the other part, hereinafter together – the Parties, each separately – a Party, enter into the following agreement, hereinafter – the Agreement:

1. **Terms Used in the Agreement**

1.1. Terms in this Agreement are used within the meaning of the Energy Law and the Regulations of use of the natural gas transmission system (hereinafter – the Regulations of use of the transmission system).

1.2. The balancing period in the Agreement is the period starting every gas day at 7:00 o’clock and ending the following day at 7:00 o’clock (from 5:00 to 5:00 UTC the next day in the winter period and from 4:00 to 4:00 UTC the next day in the summer period), during which the System user has to ensure that the natural gas quantity input into the transmission system matches the natural gas quantity offtaken from the transmission system.

2. **Subject of the Agreement**

The Agreement lays down the rights and obligations of the Transmission system operator and the System user in terms of the balancing of the transmission system, as well as settlements between the Parties for daily imbalance, and the exchange of information.

3. **General Rights and Obligations of the Parties**

3.1. The Transmission system operator commits to perform balancing calculations in a transparent and equal manner and enable the System user to access the virtual trading point.

3.2. The System user takes the balancing responsibility and commits to observe the Regulations of use of the transmission system and not to abuse the balancing system for its commercial interests or benefit.

4. **Collateral**

4.1. At the Transmission system operator’s request the System user shall, pursuant to the Regulations of use of the transmission system, submit to the Transmission system operator a collateral (submit the original of a financial service provider’s guarantee or pay a security deposit).
4.2. Upon termination of the Agreement, the Transmission system operator shall within five working days refund to the System user the sum of collateral not spent to discharge the System user’s outstanding obligations or return to the System user the original of the financial service provider’s guarantee submitted.

5. Determination of Daily Imbalance

5.1. If the sum of the natural gas quantities input into the transmission system by the System user on a gas day is not equal to the sum of the natural gas quantities offtaken, the Transmission system operator shall sell to the System user the shortfall gas for the natural gas purchase price or purchase from the System user the excess gas for the natural gas sale price.

5.2. The Transmission system operator shall calculate the daily imbalance for the balancing period on day D+1 as the difference between the natural gas input and offtake allocated to the System user’s balancing portfolio in energy units.

6. Calculation of Daily Imbalance Charge

6.1. The Transmission system operator shall calculate the daily imbalance charge by multiplying the difference between the System user’s inputs and offtakes in the transmission system by the natural gas purchase or sale price.

6.2. The natural gas purchase or sale price shall be set pursuant to the Regulations of use of the transmission system.

7. Settlements for Imbalance

7.1. If in at least one balancing period of the reporting period there is imbalance found in the System user’s balancing portfolio and a daily imbalance fee has been calculated, the Transmission system operator shall send to the System user an invoice by the 10th day of the month to the System user’s electronic mail address specified in the Agreement. The day of sending of the invoice is deemed to be the day of receipt of the invoice.

7.2. If in at least one balancing period of the reporting period there is imbalance found in the System user’s balancing portfolio resulting in excess natural gas in the transmission system, the System user shall be deemed to have sold natural gas to the Transmission system operator and the Transmission system operator shall account and credit the excess to the System user’s daily imbalance charge. The Transmission system operator shall apply the credit of the System user’s daily imbalance charge to the subsequent reporting period and at the end of the calendar year, or in the event of termination of the Agreement, the Parties shall make the mutual payments.

7.3. The System user shall pay for the imbalance calculated for the reporting period by the 15th day of the month following the reporting month.

7.4. If the final day of the deadline of invoice payment falls on a Saturday, Sunday or national holiday of the Republic of Latvia, the final day of the deadline of invoice payment shall be the following working day.

7.5. All payments shall be made in euros to the Parties’ bank accounts specified in the Agreement.

7.6. The date of payment shall be the day when funds are transferred into the Transmission system operator’s current account.
7.7. If the System user fails to pay for the imbalance calculated for the reporting period within the deadline specified in Article 7.3 of the Agreement, the Transmission system operator shall calculate interest of late payment at a rate of 0.15% of the amount not timely paid for each day of delay. Interest of late payment shall be calculated once per month and indicated together with other information in the invoice for the imbalance charge calculated for the reporting period.

8. Liability of the Parties

8.1. The rights and obligations of the Parties are laid down in the Regulations of use of the transmission system.

8.2. The Parties shall be liable for the performance of the Agreement. Either Party shall compensate losses incurred by the other Party if the guilty Party improperly performs or does not perform the Agreement.

8.3. A Party shall not be held liable for losses caused by the other Party to third parties (final consumers, the adjacent transmission system operator).

8.4. A Party having properly performed its obligations under the Agreement shall be entitled to request a full performance of obligations by the other Party.

8.5. The System user shall perform all statutory procedures related to natural gas movement (incl. customs procedures) and within three working days after the completion of customs procedures submit to the Storage operator copies of documents proving completion of customs procedures.

9. Applicable Law and Settlement of Disputes

9.1. The Agreement has been drawn up and the legal relationship resulting from the Agreement shall be governed, enforced and interpreted under the effective legislation of the Republic of Latvia.

9.2. All disputes and disagreements (hereinafter in this article – a Dispute) between the Parties shall be settled through negotiations. 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.

9.3. If a Dispute cannot be settled through negotiations within 30 days from its emergence (unless the authorised representatives of the Parties have agreed upon a different deadline), it shall be settled pursuant to the procedure stipulated by the effective legislation of the Republic of Latvia.

10. Force Majeure

10.1. The Parties shall not be held liable for a full or partial non-performance of the Agreement obligations if caused by force majeure circumstances. For the purposes of this article, force majeure circumstances shall be an obstacle that has occurred beyond the control of the affected Party, prevents it from performing its obligations under the Agreement, and cannot by eliminated by the Party. Primarily such circumstances are catastrophes, fire, earthquakes and other natural phenomena, warfare, economic sanctions, embargoes, injunctions or orders by courts or administrative or public authorities or any other circumstances which the Parties could not foresee at the time of entering in the Agreement.

10.2. Individual obstacles to the performance of the Agreement obligations having occurred at the time when the defaulted Party delayed the performance of its Agreement obligations shall not be considered force majeure circumstances.
10.3. If force majeure circumstances persist for more than 30 calendar days, the Parties shall enter into negotiations over a suitable solution for the performance of the Agreement obligations. In such case the termination of the Agreement shall only be possible by mutual agreement of the Parties.

10.4. The Parties shall immediately notify each other of force majeure circumstances. If the Parties do not notify of force majeure circumstances, the Parties may not invoke them as grounds of non-performance of the Agreement.

10.5. When the force majeure circumstances are no longer in place, the Parties shall immediately resume the performance of the obligations which they performed up to the day of occurrence of the force majeure circumstances, unless agreed otherwise by the Parties.

11. Validity Period, Amendment and Termination of the Agreement

11.1. The Agreement shall come into force when signed by both Parties and shall remain in force indefinitely.

11.2. Amendments or supplements to the Agreement may be made by agreement between the Parties. All amendments and supplements to the Agreement shall be made in writing and shall come into force when signed by both Parties.

11.3. The Agreement may be terminated by written agreement between the Parties or unilaterally under Article 11.4 and 11.5 of the Agreement.

11.4. Either Party may unilaterally terminate the Agreement if the other Party improperly performs or does not perform its obligations under the Agreement for more than 30 calendar days. In such case the Party wishing to terminate the Agreement on such grounds shall at least 30 calendar days before the termination of the Agreement notify the other Party thereof in writing, specifying the reason of termination of the Agreement. The Agreement shall be deemed terminated as of the day specified in the notice.

11.5. The System user may unilaterally terminate the Agreement with a written notice to the Transmission system operator at least 30 calendar days before terminating the Agreement, if the System user intends to no longer use the transmission system services (the booking of transmission system capacities) under the Transmission system service contract.

11.6. Termination of the Agreement shall not relieve the Parties from the performance of financial obligations emerged during the validity period of the Agreement.

12. Exchange of Information

12.1. By entering into the Agreement the Parties commit to observe the deadlines and ways of communication stipulated in the Regulations of use of the transmission system.

12.2. The actions specified in the Regulations of use of the transmission system (for balancing, the transfer of natural gas quantities between system users’ balancing portfolios etc.) may only be carried out by persons duly authorised by the System user.

12.3. The exchange of information between the Transmission system operator and the System user shall take place electronically, with information sent to the electronic mail addresses of the Parties specified in the Agreement.

12.4. All information that has become known to the Parties due to the conclusion of the Agreement and the performance of the Agreement obligations constitutes a business secret and may not be disclosed to third parties without a prior written consent of the authorised representatives of the Parties, except information to be disclosed under the Regulations of use of the transmission system or other regulatory enactments.

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12.5. The Transmission system operator shall provide information pertaining to the performance of the Agreement obligations to other natural gas supply system operators insofar as necessary for a proper compliance with the Regulations of use of the transmission system and the Agreement.

12.6. Termination of the Agreement shall not relieve the Parties of the obligation of non-disclosure of business secret.


13.1. The Parties may not transfer or assign any of their obligations under the Agreement to a third party without a prior written consent of the other Party.

13.2. If any provisions of the Agreement become invalid, the other provisions of the Agreement shall not be affected.

13.3. Within three working days after signing this Agreement, the Parties shall notify each other of persons authorised to perform the duties stipulated in this Agreement and their contact details and shall immediately advise of changes in this information during the validity period of the Agreement.

13.4. The Agreement has been executed in Latvian on _ (______) pages and signed in two copies, with one stored at the System user and the other at the Transmission system operator. Both copies of the Agreement are of equal legal force.

14. Details of the Parties

<table>
<thead>
<tr>
<th>Transmission system operator:</th>
<th>System user:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration No.______________</td>
<td>Registration No. ________________</td>
</tr>
<tr>
<td>VAT registration No.__________</td>
<td>VAT registration No. ____________</td>
</tr>
<tr>
<td>Legal address:_______________</td>
<td>Legal address: _________________</td>
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<tr>
<td>Phone: ______________________</td>
<td>Phone: ________________</td>
</tr>
<tr>
<td>Fax: _________________________</td>
<td>Fax: __________________________</td>
</tr>
<tr>
<td>E-mail: _____________________</td>
<td>E-mail: ______________________</td>
</tr>
<tr>
<td>Bank details:________________</td>
<td>Bank details: _________________</td>
</tr>
</tbody>
</table>

Chairman  
R.Irklis
Exchange of Information

1. The Transmission system operator and the system users shall exchange information on capacity booking, capacity surrender, capacity nominations and renominations, natural gas quantity allocations, balancing and other important information related to the transmission system services within the deadlines set in the Regulations of use of the natural gas transmission system (hereinafter referred to as the regulations) using the following ways of communication:

<table>
<thead>
<tr>
<th>Article No. of the regulations</th>
<th>Edig@s standard message/other</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>37. long-term capacity booking</td>
<td>CAPBKI</td>
<td>According to the XML scheme definition language description (hereinafter referred to as the XSD) developed and published by the Transmission system operator (hereinafter referred to as the TSO)</td>
</tr>
<tr>
<td>39. confirmation of long-term firm capacity</td>
<td>CAPRES</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>38. refusal of long-term capacity booking</td>
<td>ACKNOW</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>38. update to capacity booking application</td>
<td>CAPBKI</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>41. confirmation of interruptible capacity</td>
<td>CAPRES</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>42.1. quarterly capacity booking</td>
<td>CAPBKI</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>42.2. monthly capacity booking</td>
<td>CAPBKI</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>42.3. day-ahead capacity booking</td>
<td>CAPBKI</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>42.4. within-day capacity booking</td>
<td>CAPBKI</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>43.1. confirmation of quarterly and monthly capacity / refusal of capacity booking</td>
<td>CAPRES</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>44.1. refusal of quarterly and monthly capacity booking</td>
<td>ACKNOW</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>43.1. update to capacity booking application</td>
<td>CAPBKI</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>43.1. confirmation of interruptible capacity</td>
<td>CAPRES</td>
<td>According to the XSD developed and published by the TSO</td>
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<tr>
<td>43.12. confirmation of day-ahead capacity</td>
<td>CAPRES</td>
<td>According to the XSD developed and published by the TSO</td>
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<tr>
<td>44.2. refusal of day-ahead capacity booking</td>
<td>ACKNOW</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>44.2. update to capacity booking application</td>
<td>CAPBKI</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>44.2. confirmation of interruptible capacity</td>
<td>CAPBKI</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>44.3. confirmation of within-day capacity / refusal of capacity booking</td>
<td>CAPRES</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>44.3. refusal of within-day capacity booking</td>
<td>ACKNOW</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>49. notification of secondary capacity trading transactions</td>
<td>TRAADV</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>49. confirmation of secondary capacity trading transactions</td>
<td>ACKNOW</td>
<td>Positive confirmation According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>53. surrender of firm capacity purchased</td>
<td>SURCAP</td>
<td>According to the XSD developed and published by the TSO Type = ANP</td>
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<tr>
<td>55. notification of user about reallocation of capacity transferred</td>
<td>SURCAP</td>
<td>According to the XSD developed and published by the TSO Type = ANQ</td>
</tr>
<tr>
<td>59. forced capacity transfer</td>
<td>CAPDOC</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>Event</td>
<td>XML Code</td>
<td>Details</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>----------</td>
<td>------------------------------------------------------------------------</td>
</tr>
<tr>
<td>756. submission of a nomination</td>
<td>NOMINT</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>78. confirmation of a nomination</td>
<td>NOMRES</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>80. confirmation of renomination</td>
<td>NOMINT</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>80. submission of a renomination</td>
<td>NOMINT</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>86. confirmation of renominations</td>
<td>NOMRES</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>86. refusal of nominations/denominations</td>
<td>ACKNOW</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>81. adjustment of nominations/denominations</td>
<td>NOMRES</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>96. confirmation of VTP nominations</td>
<td>NOMRES</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>99. refusal of VTP nominations</td>
<td>ACKNOW</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>1062. information on the initial quantity allocation</td>
<td>ALOCAT</td>
<td>According to XSD developed and published by the TSO Type=95G</td>
</tr>
<tr>
<td>113. information on updated quantity allocation</td>
<td>ALOCAT</td>
<td>According to the XSD developed and published by the TSO Type=95G</td>
</tr>
<tr>
<td>113. information on final quantity allocation</td>
<td>ALOCAT</td>
<td>According to the XSD developed and published by the TSO Type=96G</td>
</tr>
<tr>
<td>126. notification of daily imbalance</td>
<td>ACCSIT</td>
<td>According to the XSD developed and published by the TSO</td>
</tr>
<tr>
<td>151. suspension/restriction of transmission system service</td>
<td>NOMRES, CAPDOC</td>
<td>According to the XSD developed and published by the TSO (Type = AND)</td>
</tr>
</tbody>
</table>
2. The System user shall have the obligation to ensure submission of the information specified in the Regulations to the Transmission system operator in the format specified in this Annex.

3. The Transmission system operator shall have the right to change the information technology solutions for the exchange of the information specified in the Regulations and request the System user to prepare for such changes by notifying the System user thereof within a reasonable time frame. The System user shall update its information technology system or software at its expense within the deadline set by the Transmission system operator.

4. The changes in the use of the ways of communication specified in this Appendix shall be published by the Transmission system operator on its website at least two months before the entry into force of the respective changes.

5. If the exchange of information between the Transmission system operator and System users set in this Appendix is not possible due to technical reasons, the exchange of information shall take place via e-mail, fax or phone.

6. Nominations may only be submitted by those authorised representatives of system users who have the right to do so and who are indicated in the transmission contract, or about whom the System user has submitted information to the Transmission system operator.

Chairman

R. Irklis