

Elering AS
**Standard Terms and Conditions of the Provision of Electricity Power System Balancing
Service Agreement**
Unofficial translation

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1. General Provisions

- 1.1. The present “Standard Terms and Conditions of the Provision of Electricity Power System Balancing Service Agreement” (hereinafter: Terms and Conditions) shall determine the rights and obligations of Elering AS (hereinafter: Transmission System Operator) and the Balancing Service Provider in relation to submitting, ordering, using, terminating the use of, and settlement of balancing bids.
- 1.2. The Terms and Conditions are integral to the Provision of Electricity Power System Balancing Service Agreement (hereinafter: Agreement).
- 1.3. The Terms and Conditions do not determine rules for suspension and restoration of balancing market activities nor the rules for settlement in case of suspension of balancing market activities as stated in Commission Regulation (EU) 2017/2196 article 36 and article 39 respectively.
- 1.4. The Terms and Conditions determine the provision of balancing service with respect to the standard product of ‘manually activated frequency restoration reserve’, or the mFRR.
- 1.5. The Transmission System Operator shall obtain balancing services for purposes of balancing the Estonian as well as the Baltic electricity systems, countertrading, and for the exchange of balancing energy to other Transmission System Operators.
- 1.6. The Balancing Service Provider shall submit to the Transmission System Operator balancing bids and updates thereof in a time zone determined by the Transmission System Operator. Balancing bids shall be submitted in local EE(S)T unless the Transmission System Operator has specified otherwise. All other deadlines and activities provided in the Agreement shall be carried out in local EE(S)T.
- 1.7. Unless the Balancing Service Provider is a balance responsible party, the Balancing Service Provider shall provide information about the balance responsible party responsible for its open supply. The Balancing Service Provider shall submit to the Transmission System Operator the name of the balance responsible party, the start and end date of the open supply agreement along with the balance responsible party’s consent in a format which can be reproduced in writing.
- 1.8. Unless the Balancing Service Provider is a balance responsible party, the Balancing Service Provider shall establish together with its balance responsible party information technological solutions for data exchange, and inform the Transmission System Operator about procedures for the coordination of balancing bids, information exchange and contact persons for settlement, as agreed between the Balancing Service Provider and its balance responsible party.
- 1.9. The Balancing Service Provider shall grant the Transmission System Operator the right to access via DataHub measurement data of such metering points, of which the balancing bids are drawn up from. If the balancing bid is drawn up from metering points, which do not belong to the Balancing Service Provider, the Balancing Service Provider shall provide the Transmission System Operator with authorization and approvals that certify that the owner of the metering point is aware that the underlying metering point is participating in the balancing bid, authorizes the Balancing Service Provider to allocate balancing energy to the balance area of its open supplier, and that the Transmission System Operator is allowed access to assess the measurement data of said metering point via DataHub.

2. Definitions

The terms used in the Terms and Conditions are defined as in the legislation or as follows:

- 2.1. Aggregator – a legal entity that organizes and submits balancing bids to the Transmission System Operator through either the aggregation of consumption or production capacity.
- 2.2. Balance Responsible Party – a legal entity that in order to ensure its balance, has concluded a balance agreement with the Transmission System Operator based on regulations established by the Electricity Market Act and the legislation imposed based thereon.
- 2.3. Balancing bid – balancing energy bid that is submitted to the Transmission System Operator by the Balancing Service Provider in a manner determined by the Transmission System Operator and which meets the requirements applicable to the standard product parameters.
- 2.4. Balancing energy gate closure time – the point in time when submission or update of a balancing bid for a standard product in a merit order list is no longer permitted except for the circumstance described in point 4.6 in the current Terms and Conditions.
- 2.5. Balancing service – purchasing electricity from the Balancing Service Provider or selling electricity to the Balancing Service Provider during the trading period under the terms and conditions specified in the Agreement.
- 2.6. Common Merit Order List – a list of balancing energy bids sorted by standard product and in the order of their prices that is used commonly by the Transmission System Operators in an agreed manner for the activation of balancing energy bids.
- 2.7. Confirmation of balancing bid order – a confirmation sent by the Balancing Service Provider to the Transmission System Operator about the activation of the balancing reserve.
- 2.8. Connecting TSO – a Transmission System Operator that operates the scheduling area in which Balancing Service Providers and Balance Responsible Parties shall be compliant with the terms and conditions related to balancing.
- 2.9. Demand facility – a unit that consumes electricity and is connected to the transmission or distribution network in one or more connection points. A distribution network and/or the auxiliary equipment of a production module do not constitute a consumption unit
- 2.10. Down-regulation – the sale of an additional amount of electrical energy by the Transmission System Operator, due to either lower energy consumption or greater energy production in the system than forecasted, for the purpose of countertrade or if the security of supply of the electricity system is endangered.
- 2.11. Order of a balancing bid – an order submitted to the Balancing Service Provider by the Transmission System Operator for the activation of the balancing reserve according to the standard product requirements.
- 2.12. SCADA (Supervisory Control and Data Acquisition) – a system based on computer systems and communication networks for monitoring and controlling technological processes.
- 2.13. Standard product – a harmonised balancing product as defined by the Baltic Transmission System Operators for the exchange of balancing services in the Baltic balancing area. The standard product is described in the requirements for the standard product, and are uniformly applicable to all market participants in the Baltic balancing area. Once joined with the European-wide balancing energy exchange platform, the standard product defined by the aforementioned platform shall be applicable in the Baltic balancing area.
- 2.14. Trading period – a period of 1 (one) full hour. The first trading period of the day is from 12 a.m. to 1 a.m. and the last trading period is from 11 p.m. to 12 a.m. EE(S)T, unless specified otherwise.

- 2.15. Up-regulation – purchase of an additional amount of energy by the Transmission System Operator, due to either greater energy consumption or lower energy production in the system than forecasted, unexpected discontinuance of production capacity, necessity for countertrading or when the security of supply of the power system is endangered.

3. Qualifying as a Balancing Service Provider

- 3.1. The Transmission System Operator shall qualify a Balancing Service Provider and conclude an Agreement with the Balancing Service Provider if:
 - 3.1.1. the Balancing Service Provider confirms that the offered product is compliant with the requirements of the standard product.
 - 3.1.2. the Transmission System Operator is the Connecting TSO of the Balancing Service Provider.
 - 3.1.3. the product offered by the Balancing Service Provider is located in the scheduling area of the Transmission System Operator.
 - 3.1.4. the Balancing Service Provider fulfills the technical requirements for real-time data exchange set forth in these Terms and Conditions.
 - 3.1.5. the Balancing Service Provider fulfills the requirements for submitting, ordering, using, terminating the use of, and settlement of balancing energy bids set forth in these Terms and Conditions.

4. Submitting a balancing bid

- 4.1. The Balancing Service Provider shall submit a balancing bid to the Transmission System Operator for the provision of balancing service. A bid shall contain the price of electricity (€/MWh) and capacity (MW) per trading periods.
- 4.2. A submitted bid shall be compliant with all the technical requirements of the standard product.
- 4.3. An initial bid for the following day shall be submitted each day no later than by 4.30 p.m. A bid must be submitted for all trading periods of the subsequent 24-hour period.
- 4.4. Balancing energy bid gate closure time before the start of the trading period must be in accordance with the technical requirements of the standard product. The last bid submitted, which was in accordance with the standard product requirements, shall be deemed valid.
- 4.5. A bid shall be submitted to the Transmission System Operator in a format and manner defined by the Transmission System Operator.
- 4.6. If due to technical reasons it is not possible to activate a bid either partially or fully, and the balancing energy bid gate closure time has passed, the Balancing Service Provider shall immediately notify the Transmission System Operator thereof in a format and manner described by the Transmission System Operator (implementation of said automated data exchange shall be implemented no later than by 01.12.2019). The reduction of a balancing bid is allowed only for those periods and parts of, to which the Transmission System Operator has not submitted and order for.
- 4.7. Balancing bids submitted by the Balancing Service Provider shall be forwarded by the Transmission System Operator to the Common Merit Order List of the Transmission System Operators.

5. Ordering, using, and terminating the use of a balancing bid

- 5.1. Upon an activation of balancing bid, the capacity (load level) of the customers of the Balancing Service Provider is changed during the trading period.
 - 5.1.1. In the event that the Balancing Service Provider increases the load level supplied to the network by the producer or aggregated production capacities (performs up-regulation), the activated bid shall be deemed as a sale of electricity to the Transmission System Operator. In the event that the Balancing Service Provider decreases the load level supplied to the network by the producer or aggregated production capacities (performs down-regulation), the activated bid shall be deemed as a sale of electricity to the Balancing Service Provider.
 - 5.1.2. In the event that the Balancing Service Provider increases the load level supplied to the network by the aggregated consumption capacities (performs down-regulation), the activated bid shall be deemed as a sale of electricity to the Balancing Service Provider. In the event that the Balancing Service Provider decreases the load level supplied to the network by the aggregated consumption capacities (performs up-regulation), the activated bid shall be deemed as a sale of electricity to the Transmission System Operator.
- 5.2. The Transmission System Operator can submit an order of bid for a trading period within that trading hour taking into account the technical requirements of the standard product. In order to activate a balancing bid during the current hour, the Transmission System Operator shall provide, either by telephone or via electronic channels in a format agreed upon in advance, an order for balancing to the Balancing Service Provider. An order for balancing shall include the following information:
 - 5.2.1. that the order in question is for balancing;
 - 5.2.2. the amount of the order (the amount by which the capacity or load level is changed) according to the requirements of the standard product;
 - 5.2.3. direction (whether it is an up- or down-regulation);
 - 5.2.4. the start- and stoptime of the activation with one (1) minute accuracy. In the event a stoptime has not been provided, the default stoptime of the activation shall be the end of the trading period
- 5.3. A bid ordered via electronic channels will be deemed as activated as of the starttime of the activation specified in the message after receipt of the message confirming the activation of the order has been transmitted from the Balancing Service Provider's information technology systems to the Transmission System Operator's information technology systems.
- 5.4. In the event that the Transmission System Operator contacts the Balancing Service Provider by telephone, the confirmation process shall be carried out by telephone. In the event a bid is being activated via electronic channels, the Balancing Service Provider shall send a message to the Transmission System Operator in a previously agreed upon format, which shall include information about rejection, partial acceptance, or acceptance of the balancing order.
- 5.5. A bid shall be activated in the amount ordered by the Transmission System Operator according to standard product technical requirements and for the duration starting from the starttime provided in the balancing order.
- 5.6. When terminating the use of a bid before the agreed stoptime, the Transmission System Operator shall issue an order to the Balancing Service Provider for the termination of a bid by telephone or via electronic channels. The order for the termination of a bid shall include the time when the Transmission System Operator intends to stop using the bid,

which may not be earlier than the point in time when the order to terminate the bid has been issued or later than the end of the respective trading period.

- 5.7. The Transmission System Operator shall fix the amount of the bid order according to the confirmation of the order by the Balancing Service Provider, the starttime of the bid activation (with accuracy of one minute), and the stopptime for the use of the balancing service (with accuracy of one minute).
- 5.8. The Transmission System Operator's control centre should be able to verify the activation of the balancing reserve in real time via the SCADA system. The Balancing Service Provider shall ensure that the respective information is transmitted to the Transmission System Operator's SCADA system in a manner determined by the Transmission System Operator. In the event that the Balancing Service Provider is an aggregator, provisions specified in point 6.1.1. shall apply instead.

6. Technical specifications applicable to an aggregator and/or demand facility for the provision of balancing services

- 6.1. If the Balancing Service Provider is an aggregator or a demand facility, the following technical specifications shall apply for the provision of balancing services:
 - 6.1.1. The Balancing Service Provider shall additionally forward to the Transmission System Operator the following information in a manner determined by the Transmission System Operator:
 - 6.1.1.1. total output capacity of the active capacity of the points controlled by the Balancing Service Provider in a time close to real time.
 - 6.1.1.2. estimated volume of the output capacity of the balancing service activated by the Balancing Service Provider. The estimated volume is found based on the changes arising from the nature of the controlled balancing capacities and the rotation thereof.
 - 6.1.1.3. estimated activation of the balancing service by the Balancing Service Provider in a time close to real time.
 - 6.1.2. The Balancing Service Provider is responsible for ensuring that they have obtained consent from all of their clients, whose capacities they shall use for balancing, for the performance of the Agreement.
 - 6.1.3. The Balancing Service Provider shall provide the Transmission System Operator the list of metering points and authorizations from the clients of metering points (based on valid grid agreement) in order for the Transmission System Operator to verify via DataHub the data of clients and for the allocation of activated amounts of said clients in the balance report(s) of balance responsible party or balance responsible parties according to point 8.6.

7. Pricing of balancing bids

- 7.1. For up-regulation, the Transmission System Operator shall pay the Balancing Service Provider for electrical energy supplied in the provision of balancing service:
 - 7.1.1. In the event the bid was used for normal activation, according to marginal pricing principle i.e. the highest price of a bid purchased by the Transmission System Operator from the balancing market, which was used for normal activation, €/MWh.
 - 7.1.2. In the event the bid was used for special activation countertrade or special activation other, according to pay-as-bid pricing principle, €/MWh, but not less than the balancing market price.

- 7.2. For down-regulation, the Balancing Service Provider shall pay the Transmission System Operator for electrical energy supplied in the provision of balancing service:
- 7.2.1. In the event the bid was used for normal activation, according to marginal pricing principle i.e. the lowest price of a bid sold to the Transmission System Operator from the balancing market, which was used for normal activation, €/MWh.
- 7.2.2. In the event the bid was used for special activation countertrade or special activation other, according to pay-as-bid pricing principle, €/MWh, but not higher than the balancing market price.

8. Settlement of balancing bids

- 8.1. Balancing bids shall be settled based on the Transmission System Operator's order of the balancing bid.
- 8.2. The amount of electricity supplied (MWh) in the provision of the balancing service is calculated by multiplying the volume of the balancing bid (MW) by the duration the balancing service duration (h). The balancing supply shall be deemed as a fixed supply.
- 8.3. The Transmission System Operator shall settle the amount of electricity purchased and sold to the Balancing Service Provider with an accuracy of one (1) kWh for each imbalance settlement period.
- 8.4. The Transmission System Operator shall submit to the Balancing Service Provider a report for coordination that contains balancing orders for the previous day(s) no later than the next working day by 12 p.m.
- 8.5. The Balancing Service Provider shall approve the balancing service report specified in point 8.3 submitted by the Transmission System Operator no later than by the end of the same working day.
- 8.6. The Transmission System Operator shall take the amount specified in point 8.1 into account in the balance report of the Balancing Service Provider's balance responsible party.
- 8.7. In the event that the Balancing Service Provider is an aggregator, the Balancing Service Provider shall submit to the Transmission System Operator no later than the next working day by 10 a.m. a report containing the calculated amounts and allocation of the balancing electricity supplied according to the Transmission System Operator's balancing order between the balance responsible parties of the metering points. When allocating the volume, the Balancing Service Provider shall follow the principle that the allocated volume shall equal the actual amount of electricity balanced by the aggregator in order to avoid causing imbalances to the balance responsible parties. In the event that the actual volume of balancing electricity supplied differs from that of the amount ordered by the Transmission System Operator, the aggregator shall allocate the imbalance to its own balance responsible party.
- 8.8. The Balancing Service Provider shall ensure that the volumes allocated to each balance responsible party match the activated volume of a market participant in a specific balance responsible party's balance area by the Balancing Service Provider.
- 8.9. Any disputes arising between the Transmission System Operator and the Balancing Service Provider shall be resolved based on the balancing bid, the Transmission System Operator's order of the balancing bid, and taking into account recorded phone calls or electronically transmitted messages related to the balancing service.
- 8.10. The cost of supplied balancing electricity sold to the Balancing Service Provider shall be calculated by adding up the costs of supplied balancing electricity sold to the Balancing

Service Provider by the Transmission System Operator for each imbalance settlement period during the accounting period.

- 8.11. The cost of supplied balancing electricity purchased from the Balancing Service Provider shall be calculated by adding up the costs of supplied balancing electricity purchased from the Balancing Service Provider by the Transmission System Operator for each imbalance settlement period during the accounting period.
- 8.12. The Transmission System Operator shall submit to the Balancing Service Provider the confirmed balancing service report no later than by the the fifth (5) day of the next month.

9. Rights and Obligations of the Transmission System Operator

- 9.1. The Transmission System Operator shall be responsible for:
 - 9.1.1. ensuring the security of supply and balance of the system at any given moment.
 - 9.1.2. arranging the settlement of balancing bids an information exchange related thereto.
 - 9.1.3. complying with the free market principle and the principles of equal treatment of market participants and transparency when purchasing electricity and balancing capacities in order to fulfil its responsibilities.
 - 9.1.4. during the duration of the Agreement, as well as after the termination thereof, not disclose any information related to the Balancing Service Provider of which the Transmission System Operator has gained knowledge in connection with the conclusion and performance of the Agreement, which could damage the interests of the Balancing Service Provider, or which the Balancing Service Provider presumably prefers or would prefer to remain disclosed.
 - 9.1.5. making all payments provided for in the Agreement by the due date.
- 9.2. The Transmission System Operator shall have the right:
 - 9.2.1. scrutinize the conformity of the product offered by the Balancing Service Provider with the requirements of the standard product.
 - 9.2.2. to amend the information technology solutions of the information exchange provided for in the Agreement and to request for the Balancing Service Provider's readiness for the aforementioned amendments by a reasonable due date determined by the Transmission System Operator.
 - 9.2.3. gain access via DataHub to the measurement data of such metering points, of which the balancing bid is drawn up from.

10. Rights and Obligations of the Balancing Service Provider

- 10.1. The Balancing Service Provider is responsible for ensuring that they have obtained consent from all of their clients, whose capacities they shall use for balancing, for the performance of the Agreement.
- 10.2. The Balancing Service Provider shall have the right to:
 - 10.2.1. gain access via DataHub to the measurement data of such metering points, of which the balancing bid is drawn up from.
 - 10.2.2. cancel or reduce a balancing bid after the balancing energy bid gate closure time has passed only due to technical reasons by notifying the Transmission System Operator immediately thereof in the manner described in point 4.6.

11. Compensation for Damages

- 11.1. A Party shall compensate the other Party pursuant to the procedures provided in the Agreement any direct damages caused by failure to comply with or by improper fulfilment of obligations set forth in the Agreement.
- 11.2. A Party shall inform the other Party in writing of the estimated amount of damages and the grounds for compensation of damages, including documentary proof of damages and the amount of damages within reasonable time from learning of such damages.
- 11.3. A Party shall review the claim of the other Party and compensate damages specified in the claim within thirty (30) days of receipt of the claim and documents listed in point 11.2 or, should the former Party reject the claim, present in the same term its reasoned written objections.

12. Amendment and Termination of the Agreement

- 12.1. The Agreement can be amended by written agreement of both Parties or on other grounds provided for in the Agreement or legislation. The Transmission System Operator shall have the right to unilaterally amend the Terms and Conditions and the requirements for the standard product following the procedure for unilateral amendment provided for by the law.
- 12.2. The Transmission System Operator shall inform the Balancing Service Provider of any changes to the Terms and Conditions and the requirements for the standard product in writing. The Transmission System Operator shall publish the amended Terms and Conditions on its website. The Transmission System Operator shall provide explanations for the amendments to the Terms and Conditions at the request of the Balancing Service Provider.
- 12.3. The Transmission System Operator's Terms and Conditions and the requirements for the standard product are valid at any given time and are an integral part of the Agreement, including all existing and future annexes, parts, amendments and supplements to the Agreement, regardless of any substitutions in the Agreement.
- 12.4. A Party shall have the right to terminate the Agreement should the other Party be in fundamental breach of the duties prescribed by the Agreement and this breach has not been compensated in a reasonable time allocated therefore. A Party shall give a written notice to the other Party of its desire to terminate the Agreement at least thirty (30) days prior thereto.
- 12.5. The Balancing Service Provider shall have the right to cancel the Agreement at any given time, giving the Transmission System Operator a written notice at least thirty (30) days prior thereto.
- 12.6. A Party shall have the right to cancel the Agreement only at the turn of the calendar month.
- 12.7. Upon termination of the Agreement for whatever reason, including invalidity of the Agreement, the provisions of the Agreement that by their nature provide for the rights and obligations of the Parties after the expiry of the Agreement shall continue be applicable after the expiry of the Agreement. This shall be applicable in particular to provisions specifying the resolution of disputes between Parties, the manner in which provisions of the Agreement are interpreted, confidentiality, liability of the Parties and compensation for damages. Likewise, regardless of the termination of the Agreement, all obligations that have already arisen by the time of termination of the Agreement shall be performed pursuant to the Agreement, including payments that have fallen due or shall fall due after

termination of the Agreement as a result of events that took place when the Agreement was valid.

13. Declarations of Intention

- 13.1. Unless otherwise provided for by the Agreement, all notices, approvals, co-ordinations and other declarations of intention as well as other information (hereinafter the declaration of intention) related to the performance of the Agreement or disputes arising from the Agreement deemed to have been shall be regarded as official and in accordance with the Agreement if the declaration of intention has been forwarded to the other Party against signature or forwarded via letter, fax, e-mail or other electronic channel (e.g. a special information technology solution) or telephone to contact addresses or numbers noted in the Agreement or notified to the other Party in writing.
- 13.2. A notice shall be regarded as received if:
 - 13.2.1. the notice has been delivered against signature;
 - 13.2.2. the notice has been mailed through a post office by registered mail;
 - 13.2.3. the delivery sent via fax or e-mail or another electronic channel has been technologically registered;
 - 13.2.4. the phone call has been recorded.
- 13.3. All declarations of intentions shall be regarded as made in a valid manner and bindingly for the Parties only if the declarations are made by persons directly authorised by a Party to do so.
- 13.4. By signing the Agreement, Parties shall give its consent to record the phone calls with regard to balance responsibility and if necessary, utilize the corresponding recordings to prove orders given or actions taken.