

**STANDARDIZED TERMS FOR CROSS-BORDER GAS TRANSMISSION SERVICE
AT ELERING AS**

Valid from 1 July 2018

1.	General provisions	2
2.	Terms and definitions	3
3.	Terms and conditions for third-party use of capacity at entry-exit capacity and access to cross-border infrastructure	4
4.	Methodology for allocating transmission capacity	5
5.	Methodology for managing contractual congestion	9
6.	Methodology for managing physical congestion and conditions for limiting capacity.....	12
7.	Explanation of the quantity of transmission capacity used and settlement	12
8.	Rights and responsibilities of the network operator	14
9.	Rights and responsibilities of the network user	15
10.	Liability for breach of obligations.....	16
11.	Amendment and termination of contract and resolution of differences of opinion	16
12.	Declarations of intent	17

1. General provisions

- 1.1. These standardized terms for cross-border gas transmission service at Elering AS (hereinafter: **Terms**) determine the rights and responsibilities of Elering AS (hereinafter: **network operator**) and the gas network user (hereinafter separately: **party** or jointly: **parties**) in allocating, reserving and secondary trading of transmission capacity at relevant points of the Estonian transmission system and dealing with congestion. The Terms also set forth non-discriminatory rules for access conditions to gas cross-border natural transmission systems infrastructure.
- 1.2. The Terms shall be applied to the relations between network operator and gas network user (hereinafter: **network user** or **client**) arising when a network user acquires the right to inject or withdraw gas from the transmission network at gas system connection points between European Union member states or third countries and the Estonian transmission network (hereinafter also: **network service**).
- 1.3. The Terms were prepared and established on the basis of grounds and procedure set forth in clause 16 (1) 2¹), subsection 22 (15¹), subsection 23 (1) and Section 23¹ of the Natural Gas Act, taking into account the objectives set forth in Regulations (EC) no. 715/2009, no. 459/2017 and 460/2017 of European Parliament and of the Council. The Terms also fulfil the requirement imposed on the network operator in subsection 22 (15¹) of the Natural Gas Act.
- 1.4. To use the network service, the network user must enter into a cross-border gas transmission service agreement with the network operator. The Terms are an integral part of the cross-border gas transmission service agreement or transit agreement entered into with the network operator (hereinafter jointly referred to as: **contract**). The Terms shall always be applied to a contract regardless of when the contract was concluded.
- 1.5. The network operator shall enter into a contract with a network user who has previously concluded a gas balance contract with a network operator or with a network user who has delegated the balance responsibility to a balance provider who has a balance agreement with the network operator.
- 1.6. Before the Terms come into force, the agreements on allocation of natural gas transmission capacity concluded on the basis of the network operator's document "Methodology of gas transmission capacity allocation and congestion management procedure" shall remain in force and these Terms shall be applicable to them if the network user does not submit a declaration of intent to cancel the previously concluded agreement.
- 1.7. The Terms and the network operator's tariffs shall be valid upon entry into force of network contracts either already in effect or yet to be concluded, irrespective of whether they are annexed directly to the network contract or not. The valid Terms shall always be applicable to the network contract.
- 1.8. The network services specified in clause 1.1 of the Terms shall be provided at the tariff established and published in accordance with procedure set forth in legal acts regardless of whether the tariffs have been annexed to the Terms or contract.
- 1.9. The network operator has the right to unilaterally change the tariff of network service on conditions and in accordance with procedure set forth in legislation (hereinafter: **network fee**). The changed tariff shall be the basis for sale of network service starting from their entry into force.

- 1.10. The Terms were prepared considering the special characteristics of national and regional market, where during ordinary mode, the transmission system is free of contractual or physical congestion.
- 1.11. Based on clause 1.10 of the Terms, there is no need to resort to increasing capacity in the Estonian gas system by way of an oversubscription or buyback scheme.
- 1.12. The Terms are published on the network operator's website in Estonian and English. The Estonian wording takes precedence in case of a dispute.

2. Terms and definitions

Terminology used in the Terms shall be used in the sense set forth in legal acts or in the following meanings:

- 2.1. **gas transmission network** is an operational assembly which is necessary for the transmission of gas and for the creation of connections with the networks of other countries or for gas transit, and which consists of gas pipelines whose operating pressure exceeds 16 bar and of any structures connected to those pipelines in fixed manner, as well as of the control, protection, communication and metering systems necessary for the operation, maintenance and development of the transmission system;
- 2.2. **gas year** is a one-year period beginning 1 October and ending 30 September;
- 2.3. **balancing period or gas day** is a 24-hour period beginning at 07:00 and ending at 07:00 the following day. Upon changing over to winter and summer time, the balancing period is a 23-hour and 25-hour period, respectively;
- 2.4. **secondary market** is a market where trading capacity takes place differently than on the primary market;
- 2.5. **day-ahead capacity** is a capacity product consisting of capacity that the network user may seek for one gas day and the allocation of which takes place on the day preceding the balancing period;
- 2.6. **interruptible capacity** is gas transmission capacity whose use may be interrupted by the network operator pursuant to terms and conditions set forth in the contract;
- 2.7. **firm capacity** is gas transmission capacity ensured in uninterrupted form by the network operator in accordance with the contract;
- 2.8. **implicit allocation method** is an allocation method where simultaneously with the gas quantity, transfer capacity is simultaneously allocated with the gas quantity, this being done via auction if necessary;
- 2.9. **monthly capacity** is a monthly capacity product where the network user may apply for transmission capacity for each gas day in one calendar month (starting on the first day of each month);
- 2.10. **quarterly capacity** is a capacity product where the network user may apply for capacity for each gas day in one quarter (starting on 1 October, 1 January, 1 April or 1 July, respectively)
- 2.11. **contractual congestion** – overburdening with contracts – is a situation where the level of firm capacity demand exceeds technical capability;
- 2.12. **pro-rata method** is a principle for allocating gas transmission capacity where the transmission capacity is divided up among network users who have submitted a reservation application proportionally to the capacity applied for;
- 2.13. **within-day capacity** is a capacity product which the network user may apply for starting from the start of one gas day until the end of the same day and which is offered and allocated after the end of the day-ahead capacity product allocation period pertaining to the same day;

- 2.14. **approval of reservation application or return application** is the delegating by the network operator of the service right for using transmission capacity upon reserving capacity or, upon returning reserved capacity, reclaiming transmission capacity usage service;
- 2.15. **rejection of reservation application or return application** is a decision made by a network operator not to approve a market participant's transmission capacity reservation application or return application;
- 2.16. **allocation of capacity** is the allocation of transmission capacity at the relevant entry-exit points among network users, based on trustworthy, efficient principles in use by the network operator and corresponding to the needs of the network users, on the basis of reservation applications submitted by the network operator itself or third party authorized to do so;
- 2.17. **web application** is a web-based technical solution for submitting balance plans, reservation of transmission capacity and intermediation of information (including post-trading of transmission capacities between network user and network operator);
- 2.18. **lesser rule** means that in case of differences of quantities of transmission capacity at cross-border connection point processed by either side, the quantity approved shall be equal to the lesser of the two processed quantities;
- 2.19. **reservation of capacity** is the granting to the network user, on the basis of the network user's reservation application, and as a result of the transmission capacity allocation service, the right to use transmission at the gas system's relevant entry-exit points for supply of gas into or out of the gas system;
- 2.20. **return of capacity** is notification by the network user, through the balance plan, of the desire to waive the right to use the reserved transmission capacity (not to use capacity), which shall be treated as an application for return;
- 2.21. **network user** is a client or potential client of the transmission system administrator and the administrators of the transmission system themselves, to the extent that they need to fulfil their functions in transmission of natural gas;
- 2.22. **one-year capacity** is a yearly capacity product consisting of capacity that the network user may seek for all gas days during the gas year.

3. Terms and conditions for third-party use of capacity at entry-exit capacity and access to cross-border infrastructure

- 3.1. The network operator shall ensure access to the network for network users in accordance with procedure in the Terms by allocating transmission capacity at the Estonian gas system's relevant entry-exit points approved by the Competition Authority.
- 3.2. Without reserving transmission capacity, network users do not have the right to inject to or withdraw gas from the transmission system, unless the network user injects gas from the Estonian transmission system in Estonia to distribution networks and consumers to an exit consolidation point or to the Estonian transmission system to an entry consolidation point for gas produce in Estonia, in which the network operator does not allocate transmission capacity.
- 3.3. In regard to trading gas in the transmission system, transactions take place at a domestic virtual trading point in which the network operator does not allocate transmission capacity.
- 3.4. To reserve transmission capacity at the relevant entry-exit points, network users must have a contract concluded with the network operator.
- 3.5. To access cross-border infrastructure, the network user must reserve transmission capacity in the relevant entry-exit points located on the national borders.

- 3.6. The network operator shall assign to the natural persons authorized by a network user with a contract a personal web application username and password.
- 3.7. The network operator shall publish on its website the data necessary for allocating and reserving transmission capacity in a downloadable format with a degree of precision reflecting the best of its knowledge and in accordance with procedure set forth in legislation and update the data if they change.

4. Methodology for allocating transmission capacity

- 4.1. The network operator shall calculate and make available to network users through allocation of transmission capacity the entire transmission capacity at all relevant entry-exit points as a firm capacity taking into account the integrity of the system and the efficient network operation, using the pro-rata method and implicit allocation method.
- 4.2. Prior to allocation of long-term capacity, the network operator shall reserve ten per cent (10%) of the technical transmission capacity of the relevant point for supply as day-ahead and within-day service in order to ensure supply of short-term capacity.
- 4.3. Upon the allocation of all firm capacity, the network operator shall assess whether it is possible to additionally allocate interruptible capacity in light of the system integrity and efficacious functioning of the network. Interruptible capacity shall be allocated using the pro-rata method.
- 4.4. The transmission capacity entering and exiting the system shall be allocated separately at the relevant points.
- 4.5. The network operator shall allocate transmission capacity as the following services:
 - 4.5.1. long-term service with transmission capacity for a one-year period from 1 October to 30 September in the same quantity for each day (flat);
 - 4.5.2. short-term service with transmission capacity for a quarterly period starting 1 October, 1 January, 1 April and 1 July in the same quantity for each day (flat);
 - 4.5.3. short-term service with transmission capacity for a monthly period starting the first day of the month in the same quantity for each day (flat);
 - 4.5.4. short-term service with day-ahead transmission capacity for one day;
 - 4.5.5. short-term service with within-day transmission capacity.
- 4.6. In addition, the network operator may offer transmission capacity for periods different from those specified in clause 4.5 of the Terms, providing at least 60 days advance notice thereof.
- 4.7. The allocation of transmission capacity shall be started from a longer-duration period. Unallocated transmission capacity shall be granted for allocation for the next period by duration.
- 4.8. If the network operator is unable to satisfy the entire firm-capacity reservation application, the network operator shall be offered the entire existing firm capacity and, if possible, interruptible capacity in addition.
- 4.9. The network user shall submit to the network operator a capacity reservation application on the basis of the form and format forwarded to them, which includes the following information:
 - 4.9.1. name of the network user;
 - 4.9.2. relevant point;
 - 4.9.3. direction of transmission capacity (entry/exit);
 - 4.9.4. service (one-year, quarterly, monthly, day-ahead or within-day);
 - 4.9.5. type of capacity (firm or interruptible);

- 4.9.6. quantity of capacity to be reserved;
 - 4.9.7. name and EIC code of network user's balance provider.
- 4.10. The network operator shall determine the format and forms of data exchange for its capacity reservation application and its own confirmation with a reasonable advance notification term.
- 4.11. Principles for allocating one-year capacity:
- 4.11.1. As one-year capacity, the network operator shall allocate **up to sixty per cent (60%)** of the year's planned lowest technical transmission capacity under normal conditions.
 - 4.11.2. The network operator shall publish on its website at least 30 days before the start of the application submission period the time of submission of the one-year transmission capacity reservation application and the quantity of capacity to be allocated. The application submission period shall last 30 days.
 - 4.11.3. The reservation application for one-year capacity shall be submitted on the form provided by and published by the network operator via web application or to the email address specified in the contract.
 - 4.11.4. The network operator shall respond to the reservation application for one-year capacity within two (2) business days after the end of the period for submission of the one-year capacity reservation application, while simultaneously updating the data to be published on the network operator's website as specified in clause 8 of the Terms.
- 4.12. Principles for allocation of quarterly capacity:
- 4.12.1. As quarterly capacity, the network operator shall allocate **up to seventy-five per cent (75%)** of the relevant quarter's planned lowest technical transmission capacity under normal conditions, including the transmission capacity left over after allocation of one-year capacity, taking into account the quantity of reserved capacity under clause 4.2 of the Terms.
 - 4.12.2. The system administrator shall allocate simultaneously all of the gas year's quarterly products as yet unstated. The allocation shall take place on four occasions (September, November, February and May). The network operator shall publish on its website at least two (2) weeks before the start of the application submission period the time of submission of the quarterly capacity reservation application and the quantity of capacity to be allocated. The application submission period shall last seven (7) calendar days.
 - 4.12.3. The reservation application for quarterly capacity shall be submitted on the form provided by and published by the network operator via web application or to the email address specified in the contract.
 - 4.12.4. The network operator shall respond to the reservation application for quarterly capacity within two (2) business days after the end of the period for submission of the one-year capacity reservation application, while updating the data to be published on the network operator's website as specified in clause 8 of the Terms.
- 4.13. Principles for allocating monthly capacity:
- 4.13.1. As monthly capacity, the network operator shall allocate **up to ninety per cent (90%)** of the relevant month's planned lowest technical transmission capacity under normal conditions, including all transmission capacity left over after allocation of quarterly capacity, taking into account the quantity of reserved capacity under clause 4.2 of the Terms.

- 4.13.2. The network operator shall publish the quantity of monthly capacity to be allocated on its website by the twentieth (20th) day of the preceding month.
- 4.13.3. The deadline for submission of a reservation application for monthly capacity is six (6) business days before the start of the month at 15:00. The reservation application for monthly capacity shall be submitted on the form provided by and published by the network operator via web application or to the email address specified in the contract.
- 4.13.4. The network operator shall respond to the reservation application for quarterly capacity within the next business day after the end of the period for submission of the monthly capacity reservation application, while simultaneously updating the data to be published on the network operator's website as specified in clause 8 of the Terms.
- 4.14. Principles for allocating day-ahead transmission capacity:
- 4.14.1. As day-ahead capacity, the network operator shall allocate the entire available technical transmission capacity not allocated in previous periods.
- 4.14.2. At the entry/exit point Karksi between Estonia and Latvia, the day-ahead transmission capacity shall be allocated using, as the first priority, the implicit allocation method specified in clause 4.14.3.(b) and the remaining free transmission capacity shall be allocated using the pro-rata allocation method described in clause 4.14.4. Solely the pro-rata method shall be used in all other points.
- 4.14.3. In allocating day-ahead capacity using the implicit allocation method, the following principles shall be observed:
- a) The implicit allocation of transmission capacity shall take place by the gas exchange possessing the relevant contract with the network operator; the gas exchange shall publish the quantities of transmission capacity provided by the network operator for allocation on its website;
 - b) The network operator shall provide at least 80 per cent (80%) of the Karksi point's free day-ahead transmission capacity for allocation using the implicit allocation method. Of this, with at least three (3) business days' advance notice, the network operator has the right to increase the capacity to be granted for implicit allocation by 90 per cent (90%) or reduce by up to 15 per cent (15%) of the free day-ahead capacity;
 - c) In determining the quantity of transmission capacity to be granted for implicit allocation, the Estonian and Latvian system administrators shall proceed from the lesser rule;
 - d) System administrators shall calculate the existing day-ahead transmission capacity quantity by taking as a basis the previously allocated transmission capacity and the gas system situation and granting to the gas exchange the transmission capacity to be granted for implicit allocation by 9:30 every day for the next gas day.
 - e) The implicit allocation of the next/day transmission capacity shall take place starting D-1 at 10:00 until D-1 14:00;
 - f) The gas exchange shall submit the next/day transmission capacity quantities allocated using the implicit method to the network operator every day by 14:15 for the next gas day and return the entire unallocated capacity to the network operator;

- g) The entire day-ahead capacity that is not allocated using the implicit capacity methods shall be allocated by the network operator pursuant to clause 4.14.4 of these Terms.
- 4.14.4. The following principles shall be observed when allocating day-ahead capacity using the pro-rata method:
- a) The reservation application for day-ahead capacity for reserving capacity using the pro-rata method at the network operator shall be submitted along with the balance plan via the web platform, where the authorized representative of a network user who has entered into a contract can log in with personal username and password or on a form published by the network operator via email. If the network user has not entered into a balance contract with the network operator, the network user shall reserve the day-ahead capacity via its balance provider.
 - b) If the network user has not previously reserved capacity for performing all submitted supplies desired one day before the balancing period (hereinafter D-1) in all relevant entry-exit points, the D-1 balancing plan shall be considered a reservation application for the shortfall in transmission capacity.
 - c) The deadline for submission of the day-ahead reservation application is the same as the deadline for submission of the D-1 balancing plan (15:00 on the previous business day).
 - d) The network operator shall respond to a reservation application for day-ahead capacity by approval of the D-1 balance plan (17:00), while simultaneously updating the data to be published on the network operator's website specified in clause 8 of the Terms.

4.15. Principles for allocation of within-day transmission capacity:

- 4.15.1. As within-day capacity, the network operator shall allocate the entire technical transmission capacity that has not been allocated in previous periods.
- 4.15.2. At the Karksi point between Estonia and Latvia, the within-day transmission capacity shall be allocated using, as the first priority, the implicit allocation method in the volume specified in clause 4.15.3.(b) and the rest of the available transmission capacity shall be allocated using the pro-rata allocation method described in clause 4.15.4. Solely the pro-rata method shall be used in all other points.
- 4.15.3. Upon allocating within-day capacity using the implicit allocation method, the following principles shall be followed:
- a) The implicit allocation of transmission capacity shall take place by the gas exchange possessing the relevant contract with the network operator; the gas exchange shall publish the quantities of transmission capacity provided by the network operator for allocation on its website;
 - b) The network operator shall grant for allocation using the implicit allocation method at least 65 per cent (65%) of the available within-day transmission capacity of the Karksi point. Of this, with at least three (3) business days advance notice, the network operator has the right to increase the capacity granted for implicit allocation up to 90 per cent (90%) or to reduce it up to 15 per cent (15%) of the available within-day capacity;
 - c) In determining the quantity of transmission capacity to be granted for implicit allocation, the Estonian and Latvian system administrators shall proceed from the lesser rule;

- d) The system administrators shall calculate the existing within-day transmission capacity quantity by taking as a basis the previously allocated transmission capacity and the situation of the gas system and grant the transmission capacity to be granted for implicit allocation to the gas exchange by 09:30 every day for the gas day;
- e) The implicit allocation of the within-day transmission capacity shall take place on the gas day starting from 10:00 to 14:00;
- f) The gas exchange shall submit the within-day transmission capacity quantities allocated using the implicit method each day by 14:15 for the gas day and return the entire unallocated capacity to the network operator;
- g) The entire within-day capacity that is not allocated using the implicit method shall be allocated by the network operator pursuant to clauses 4.15.4 of these Terms.

4.15.4. In regard to the allocation of within-day capacity using the pro-rata allocation method, the following principles shall be followed:

- a) The reservation application for within-day capacity shall be submitted along with amendment to balance plan via the web platform, (into which the authorized representative of a network user who has entered into a contract can log in using personal username and password) or via email on the balance plan form published by the network operator. If the network user has not entered into a balance agreement with the network operator, the network user shall reserve the within-day capacity via its balance provider.
- b) If a network user has not previously reserved capacity for making all supplies desired in the amended balance plan at the relevant entry-exit points, the amendment to the balance plan shall be considered as a reservation application for a shortfall in transmission capacity.
- c) The period for submission of a reservation application for within-day transmission capacity shall begin upon approval of the D-1 balance plan and end two (2) hours before the end of the gas day.
- d) The network operator shall respond to the reservation application for same day capacity by approving the amendment to balance plan within two (2) hours after submission of application. If the network operator does not approve the reservation application for transmission capacity within two (2) hours, the reservation application shall be rejected.

4.16. The network operator has the right to reject the reservation application for capacity if:

- 4.16.1. The capacity reservation application was not submitted as required;
- 4.16.2. The capacity reservation application was submitted by a network user who lacks a valid contract with the network operator;
- 4.16.3. The relevant point specified in the capacity reservation application lacks firm capacity and interruptible capacity.

5. Methodology for managing contractual congestion

- 5.1. For the purpose of effective use of the transmission system and management of congestion, the network operator shall apply the following measures in relevant cross-border entry-exit points:
 - 5.1.1. confirmation and surrender of one-year, quarterly and monthly contracted capacity;
 - 5.1.2. withdrawal of the systematically underutilised one-year capacity “long-term use it or lose it” mechanism;

- 5.1.3. offering unused reserved firm capacity as interruptible capacity (oversubscription);
 - 5.1.4. enabling secondary market trading of transmission capacity;
 - 5.1.5. applying underutilisation fee in the case of underutilised contracted transmission capacity.
- 5.2. Confirmation and surrender of one-year, quarterly and monthly contracted capacity.
- 5.2.1. The network user must confirm the use of reserved one-year, quarterly and monthly capacity in the monthly balance plan within five (5) business days before the start of the month, by 15:00. A network user who reserves capacity and is not a balance provider shall confirm the use of one-year, quarterly and monthly capacity through their own balance provider.
 - 5.2.2. If the network user does not confirm use or fully or partly reserved capacity in the balance plan for the month, this shall be treated as the network user's decision to return to the network operator the unconfirmed reserved capacity for the next month.
 - 5.2.3. The network operator shall confirm the receipt of the reserved capacity return application with the balance plan for the month during the following business day. The network user shall retain the rights and responsibilities arising from the contract in relation to transmission capacity until the network operator reallocates the transmission capacity and in the extent to which the network operator does not reallocate transmission capacity. The returned transmission capacity shall be treated as reallocated only after the allocation of the entire existing transmission capacity. The network operator shall notify the network user promptly of the reallocation of the returned capacity.
 - 5.2.4. The network operator shall reallocate the capacity different network users' returned capacity as day-ahead and within-day service.
- 5.3. Enabling secondary market trading of transmission capacity
- 5.3.1. The network operator shall enable free trading of one-year, quarterly and monthly reserved capacity among network users who possess a contract with the network operator – i.e., network users with a contract have the right to resell or purchase the entire reserved capacity or part of it a day at a time.
 - 5.3.2. The network operator shall not intermediate secondary market transmission capacity trading transactions, but shall post on its website the recommended form of the contract for secondary market trading of transmission capacity and, on the web application, an interactive format for publishing purchase and sale offers on the secondary market with reserved capacities.
 - 5.3.3. Upon resale of reserved capacity, the responsibilities and rights with respect to the network operator shall pass from the network user who originally reserved the capacity to the network user who purchased transmission capacity.
 - 5.3.4. Both network users who agreed on the secondary market trade shall present a corresponding notice in the form published on the network operator's website by 15:00 three (3) business days before the start of the period.
 - 5.3.5. The network operator shall confirm the secondary market trade transaction simultaneously for both network users within one (1) business day of receiving a corresponding notice from both network users desiring the transaction.

- 5.3.6. All transactions performed on the secondary market with reserved capacity shall enter into force after presentation of a corresponding confirmation to the network users who desire the transaction.

- 5.4. Withdrawal of the systematically underutilised one-year capacity (“long-term use it or lose it” mechanism)
 - 5.4.1. One-year reserved capacity shall be considered systematically underutilized if the network user has not, in the manner specified in clause 5.3 of the Terms, resold the said capacity to another network user and uses, without providing reason, less than 80% of said transmission capacity during two (2) consecutive months or approves with a balance plan systematically close to 100% of its one-year reserved capacity and then reduces its use of the capacity registered by D-1 balance plan to up to 20%.
 - 5.4.2. If the network operator has analysed and found that the condition set forth in clause 5.4.1 has been fulfilled, the network operator has the right to reclaim at the relevant point the thus far unused part of the systematically underused one-year capacity in full until the end of the period. To do so, the network operator shall notify the network user and the Competition Authority in a form reproducible in writing of its intention to reclaim the transmission capacity, appending to the letter an explanation regarding the actual use of the capacity reserved by the network user.
 - 5.4.3. After receiving the letter specified in clause 5.4.2, the network user has fifteen (15) business days to resell the one-year reserved capacity in the manner specified in clause 5.3 of the Terms.
 - 5.4.4. If the network user does not sell the entire one-year reserved capacity in the extent specified in the analysis, the network operator shall reclaim the reserved capacity for reallocation and the network user shall forfeit its reserved one-year transmission capacity until the end of the period and is obliged to pay the network operator an underuse fee at the rate specified in the price list for the transmission capacity being reclaimed.

- 5.5. Offering unused reserved firm capacity as interruptible capacity (oversubscription)
 - 5.5.1. If the network operator decides on the basis of past experience that there is the risk of contractual congestion in the context of the day-ahead, yet it is likely based on statistics for previous periods that the previously reserved firm capacity will not be used, the network operator shall offer the said transmission capacity as interruptible for the next day.
 - 5.5.2. The network operator shall publish the quantity of day-ahead interruptible capacity by 11:00.

- 5.6. Applying underutilization fee in the case of underutilised contracted transmission capacity
 - 5.6.1. If the total amount of capacity reserved by the network user within the timeframes specified in clause 4.5 at the relevant point exceeds the quantity shown in the most recent balance plan constituting the basis for supply (day-ahead balance plan or amendment to within-day balance plan) by more than ten per cent (10%), i.e. the network user underutilizes previously reserved capacity, the underutilization fee shall be charged at the rate specified in the tariff list with regard to the transmission capacity underutilized by more than ten per cent.

- 5.6.2. The underutilization fee shall not be charged on the portion of the reserved capacity underutilized by the network user where the underuse stemmed from the technical restrictions imposed by the network operator itself for the relevant balancing period.
- 5.6.3. Clause 5.6.1 shall not be applied at cross-border points where the Competition Authority has established a nonzero capacity tariff for the network operator.

6. Methodology for managing physical congestion and conditions for limiting capacity

- 6.1. The network operator shall administer physical congestion in the gas system at the relevant points through legal acts if there is a risk to reliability to supply.
- 6.2. Should a risk emerge to reliability of supply, the network operator shall resort to the following measures, among others:
 - 6.2.1. restricting transmission capacity in the relevant point;
 - 6.2.2. restricting consumption by the network user in the relevant point in cases and according to procedure specified in law;
 - 6.2.3. using the reserves administered by the network operator (including, in cases defined by law, protected consumers' reserve) for ensuring the reliability of supply of the gas system or part thereof.
- 6.3. When restricting transmission capacity in a relevant point, first interruptible capacity shall be restricted and thereafter firm capacity, with transmission capacity sold as a shorter service restricted as a first priority (i.e., one-year service capacity shall be restricted last).
- 6.4. Transmission capacity shall be restricted proportionally with regard to network users possessing the same service. The network operator shall notify the network user at the first opportunity in a form reproducible in writing of the restriction of transmission capacity.
- 6.5. In case of unjustified restriction of firm capacity, the network operator shall compensate the network user for direct proven patrimonial damage incurred only if not set forth otherwise in legal acts.
- 6.6. The aggrieved party must notify the counterparty in a form reproducible in writing within a reasonable time period after learning of the damage of the magnitude of the damage and the grounds for compensation of damage, and present documents substantiating the existence and the magnitude of the damage.
- 6.7. The party to the contract must, within 30 days of receiving the documents listed in clause 6.6, review the claim and compensate the damage specified in the claim or, if it does not accept the claim, present its objections accompanied by reasoning, also within the same term.

7. Explanation of the quantity of transmission capacity used and settlement

- 7.1. The client is obliged to pay the network operator a network fee set forth by the latter in conformity with legal acts. The network tariff list established by the network operator makes up an integral part of the contract.
- 7.2. Upon gas entering or exiting the transmission network from European Union member states' or third countries' entry-exit points, the network fee shall be applied to the customer pursuant to part G3 of the network operator's tariff list.
- 7.3. The payment period is one accounting month.
- 7.4. As a result of the explanation of the quantity of transmission capacity used, the transmission capacity quantity actually used at each relevant entry-exit point shall be determined for each balancing period as follows:

- 7.4.1. the network operator shall be responsible for forwarding the metering data necessary for determining gas quantities at the relevant entry-exit points of the transmission network;
 - 7.4.2. as the basis for determination, the network operator shall use the metering data for balance determination metering points in the balance provider's open supply chain in accordance with the procedure set forth in the balance agreement Terms;
 - 7.4.3. upon the demand of the network operator, the network user shall submit the metering data for its metering points during the accounting month one balancing period at a time.
- 7.5. The client shall pay the network tariff and other fees arising from the contract by the 21st day of the calendar month following provision of the network service. In order to determine the transmission capacity used for gas supply in the accounting month, the network operator shall present to the network user on the network invoice the final metering data for the previous month at the relevant entry-exit points, where the network user has supplied gas to or from the system and/or reserved capacity, along with a report containing:
- 7.5.1. the valid tariff of reserving capacity by different services (one-year capacity, quarterly capacity, monthly capacity, day-ahead capacity and within-day capacity etc.);
 - 7.5.2. quantity and cost of the capacity reserved by the network user;
 - 7.5.3. in calculating the quantity of the capacity reserved by the user, the reserved capacity returned pursuant to clause 5.2 of the Terms shall be deducted from the quantity along with the reserved capacity restricted pursuant to clause 6 of the Terms;
- 7.6. If the supply according to the network user's metering data required more capacity than the network user had reserved (imbalance), the network user shall pay the tariff of within-day capacity for the overused capacity.
- 7.7. The tariff shall be considered paid on the day on which it is received on the network operator's bank account.
- 7.8. If the client does not pay the invoice by the specified payment date, the network operator has the right to charge late interest of 0.05% of the amount outstanding as of the payment date per day until the entire sum is completely received by the network operator. Late interest shall start to accrue on the day following the payment date and shall stop accruing on the day full payment is received. Should invoices be paid partially, first late interest shall be extinguished followed by the principal, and the amounts that became collectible earlier shall be extinguished before the amounts that became collectible later.
- 7.9. If the client does not agree with the invoice presented by the network operator or agrees only partially, the client shall undertake to notify the network operator thereof in a form reproducible in writing promptly after receiving the invoice, specifying all of the reasons for not agreeing with the invoice. In case of partial non-acceptance, the client is obliged to pay the accepted part pursuant to the contract. The network operator is obliged within five (5) days of receiving the notice to check the client's petition and to notify the client of the results of the check. Due to the check procedure, the network operator may set a later payment date. If the invoice proves not to be correct, the client shall pay the fee shown on the invoice along with late interest.
- 7.10. If, as a result of the correction invoice or for any other reason, the client incurs a prepayment credit, the network operator shall transfer it back to the client within two (2) business days, except for cases specified in clause 7.9 or if the client notifies the network operator before

the deadline for repayment of the overpaid amount of its desire to be credited for the overpaid amount as a prepayment. If the network operator fails to pay the amounts repayable to the client by the required deadline, the client has the right to demand late interest of 0.05% of the amount outstanding as of the payment deadline per day.

7.11. The client is obliged at the demand of the network operator to pay the prepayment in the following case:

- 7.11.1. the client has, in the current year, been over ten (10) days late paying the invoice more than three (3) times;
- 7.11.2. a bankruptcy caution or declaration of bankruptcy is brought against the client or bankruptcy; reorganization or liquidation proceedings are launched, or it is plain from other circumstances that it may be impossible for the client to duly perform obligations arising from the Contract in the near future;
- 7.12. The network operator has the right to demand payment of prepayment by the 21st day of the calendar month preceding the provision of network service.
- 7.13. The amount of the prepayment may not exceed the sum of payments for two (2) months, determined on the basis of the average network service fee for six months that the client used the network service. If the prepayment paid by the client is larger than the payment actually payable the next month, the overpaid amount shall be carried forward as a prepayment for the next month. If the actual network service fee is larger than the prepayment, the client shall pay the balance owed on the basis of the invoice presented by the network operator.
- 7.14. The network operator shall present the client an invoice for provision of network services during the subsequent seven (7) calendar days. If the client has not received the invoice within a reasonable period of time, it must notify the network operator thereof. "Reasonable period of time" shall be 15 calendar days of the end of the accounting month or the previous payment notice unless agreed otherwise by the parties in the contract.
- 7.15. The parties have the right to clear claims against each other solely upon mutual agreement.

8. Rights and responsibilities of the network operator

8.1. The network operator is obliged:

- 8.1.1. in fulfilling its rights and responsibilities, to abide by the principles of equal treatment of market participants and transparency;
- 8.1.2. to organize allocation of gas system transmission capacities in the relevant entry-exit points and related information exchange and to engage in cooperation with the system administrators of the neighbouring system;
- 8.1.3. to notify the network user at the first opportunity of known technical restrictions that could be presumed to influence the supplies to the network user, including ensuring cooperation with neighbouring countries' gas systems, considering the technical restrictions of these systems in real-time;
- 8.1.4. the network operator shall publish on its website information related to capacity of the transmission system necessary for allocation and reservation of transmission capacity as well as the preliminary and ex post data for each relevant entry-exit point with the precision known to it in accordance with procedure set forth in legislation in a downloadable format as follows;
 - a) data on actual gas flow in gas metering stations for each day – on the next day;

- b) actual pressure data on relevant cross-border points for each day – on the next day;
 - c) time of unplanned gas system interruptions and extent of influence at the relevant points as soon as the information is known to network company;
 - d) time and extent of planned interruption of gas system (including maintenance works) as soon as the information is known to network operator, but no later than 42 days before the interruption;
 - e) technical transmission capacity in each direction 24 months ahead of time for each day;
 - f) the contractual firm and interruptible capacity in relevant points in each direction 24 months ahead of time for each day;
 - g) the available firm and interruptible capacity at relevant points in each direction 24 months ahead of time;
 - h) legally valid, unsatisfied reservation applications of at least one month in duration, for reserving firm capacity services, including number of volume of reservation applications;
 - i) information about secondary market transactions.
- 8.1.5. The network operator shall retain the information as public information for at least 5 (five) years.
- 8.2. The network operator has the right:
- 8.2.1. to impose restrictions on the network user supplies in cases set forth in the Terms and in legislation;
 - 8.2.2. to submit invoices to the network user for use of transmission capacity and other services in accordance with the procedure set forth in the Terms and at the rate specified in the network operator's tariff list;
 - 8.2.3. not to compensate losses or expenditures stemming from the execution of the network operator's actions and instructions, unless the network operator's action or instruction were unlawful.
 - 8.2.4. to modify IT solutions for information exchange in a reasonable manner and to demand the network user's readiness for making the specified changes by a reasonable term set by the network operator.

9. Rights and responsibilities of the network user

- 9.1. The network user is obliged:
- 9.1.1. to abide by the rules and obligations set forth in the Terms;
 - 9.1.2. to organize reservation of capacity and related exchange of information with regard to its supplies;
 - 9.1.3. to reserve transmission capacity for all supplies entering and exiting the transmission system by submitting a capacity reservation application;
 - 9.1.4. in reserving transmission capacity at a cross-border entry-exit point, the network user shall ensure that it has the right for the purpose of performing the supply in the desired volume, to use entry-exit transmission capacity in the necessary amount also in the neighbouring system;
 - 9.1.5. to follow the notices sent to it by the network operator;
 - 9.1.6. to update its IT hardware and/or software at its own expense by the deadline set by the network operator if the network operator has notified it within a reasonable term

- in advance of a modification in the IT solution for information exchange required in the contract and the modification is a reasonable change;
- 9.1.7. upon termination of contract, to notify, as soon as possible, its clients for whom the capacities were reserved;
 - 9.1.8. to pay, by the payment date, the invoices presented by the network operator for network service and all other payments required in the contract by the deadline.
- 9.2. The network user has the right:
- 9.2.1. to reserve and use capacity in accordance with procedure set forth in the Terms;
 - 9.2.2. to receive information and explanations from the network operator concerning its transactions, in accordance with procedure set forth in legislation.

10. Liability for breach of obligations

- 10.1. The parties shall be liable for failure to comply as required or at all with obligations set forth in the contract.
- 10.2. The parties shall be liable for the actions of persons they use to discharge their obligations.
- 10.3. Failure to perform an obligation as required or at all shall be excusable if the party violated the obligation due to force majeure. Force majeure is a circumstance that a party could not influence and, based on the principle of reasonableness, could not have been expected to take into account or avoid or surmount the consequence thereof upon entering into the contract, including:
 - 10.3.1 natural disasters;
 - 10.3.2 fire;
 - 10.3.3 economic blockade between countries operating within a combined gas system;
 - 10.3.4 strike;
 - 10.3.5 diversion;
 - 10.3.6 declaration of a state of emergency;
 - 10.3.7 legitimate action by network operator for ensuring the normal situation in the gas system.
- 10.4 If force majeure is temporary, violation of obligation is excusable solely during the time that the force majeure hindered by the performance of obligation.
- 10.5 The network operator shall not be liable for performance of obligations arising from the contract (including from technical rules) if caused by network users's actions that are in conflict with the Terms, contract or technical rules.

11. Amendment and termination of contract and resolution of differences of opinion

- 11.1. The contract may be amended upon agreement between the Parties or on other grounds set forth in the contract or legislation. The network operator has the right to unilaterally amend the Terms in accordance with procedure set forth in law.
- 11.2. The network operator shall notify the network user of amendments to the Terms in a form reproducible in writing at least 30 days before the amendments come into force. The network user has the right to cancel the contract if it does not agree with the amended Terms. The amended Terms shall be posted by the network operator on its website. The network operator shall undertake to provide explanations about the amendments at the demand of the network user.

- 11.3. A party has the right to terminate the contract if the counterparty is in material violation of the obligations stemming from the contract and the violation has not been redressed within a reasonable period time granted for that purpose. A party must provide at least 30 days advance notice in a form reproducible in writing of a desire to cancel the contract.
- 11.4. The network user has the right to terminate the contract without providing the reason, with at least 30 days advance notice provided to the network operator in a form reproducible in writing.
- 11.5. Upon expiry of the contract for any reason, including invalidity of the contract, the provisions of contract pertaining to the rights and obligations of the parties after the expiry of the contract shall also be applied after the expiry of the contract. Regardless of the expiry of the contract, all obligations already incurred by the moment of expiry must be performed, including payment pursuant to the contract of all payments that have become collectible or become collectible as a result of an event taking place during the term of the contract.
- 11.6. Upon expiry of the contract, the client shall pay all fees arising from the contract by the payment date shown on the invoice.
- 11.7. Upon expiry of the contract for any reason, including invalidity of the contract, the provisions of contract pertaining to the rights and obligations of the parties after the expiry of the contract shall also be applied after the expiry of the contract.
- 11.8. Differences of opinion and disputes concerning the performance, amendment or termination of the contract shall be resolved by the parties above all by way of negotiations.
- 11.9. A party's action or omission that is in conflict with the Natural Gas Act or legal acts enacted thereunder may be appealed in writing by the counterparty to the Competition Authority.
- 11.10. If disputes arising from the contract cannot be resolved by way of negotiations by the parties, the dispute shall be resolved in Harju County Court.

12. Declarations of intent

- 12.1. All notices, consents, approvals, other declarations of intent and other information related to performance of contract or disputes arising from the contract (hereinafter: declaration of intent) which have legal implications must be presented to the counterparty in written form unless such notices have an informational nature and the sending of which has no legal implications for the counterparty.
- 12.2. A declaration of intent shall be considered delivered if it has been conveyed to the counterparty against signature or emailed to the email address specified in the contract or notified in a written form or form reproducible in writing or sent by post office by registered post. All declarations of intent related to performance of contract which do not deviate from the terms and conditions of the contract shall be considered to be communicated in valid form and bindingly for the parties if they have been issued by persons specified in the contract or by persons directly authorized by the former for that purpose.
- 12.3. By signing the contract, the parties grant consent for recording of calls related to allocation of gas transmission capacity and the use of the relevant recordings, if necessary, for substantiating order and other actions performed by the network user.