**Public consultation on Interconnection agreement on Balticconnector**

**Introduction**

Energy Authority of Finland and Elering AS invite all stakeholders to take part in the public consultation for the parts of the Interconnection agreement that are relevant for external stakeholders, mainly for network users (Shippers) based on INT NC article 4 section 1. Energy Authority of Finland will organize public consultation in Finland. Main parts identified necessary to go under public consultation include **matching process, capacity allocation, exceptional event communication**. Input is welcome from all the stakeholders.

**Definitions**

**Double-sided Nomination** means nomination process in which both TSOs at the IP receive corresponding nominations.

**EIC** means Energy Identification Code.

**Exceptional Event** means any unplanned event that is not reasonably controllable or preventable and that may cause, for a limited period, capacity reductions, affecting thereby the quantity or quality of gas at a given interconnection point, with possible consequences on interactions between TSOs as well as between TSO and Shippers.

**Initiating TSO** means the transmission system operator initiating the matching process by sending the necessary data to the matching transmission system operator by matching deadline.

**Interruption Process** means process where the unexpected change of total technical capacity caused the need to interrupt confirmed quantities.

**Lesser rule** means processed quantity/capacity coordination rule, were final coordinated value is taken as minimum of received values.

**Matching Process** is the process of comparing and aligning processed quantities of gas for Shippers at both sides of a specific interconnection point, which results in confirmed quantities for the Shippers.

**Matching TSO** means the transmission system operator performing the matching process and sending the result of the matching process to the initiating transmission system operator.

**Shipper** mean**s** a market participant that has signed a Transmission Service Agreement with a Local TSO.

**Nomination**means the prior reporting by the Shipper to the transmission system operator of the actual flow that the Shipper wishes to inject into or withdraw from the system.

**Accepted Nomination (processed quantity)** means the quantity of gas determined by TSOs which takes into account the Shipper's nomination or re-nomination and contractual provisions as defined under the relevant transmission (network) agreement and which is used as the basis for the matching process.

**Renomination cycle** means the process carried out by the transmission system operator in order to provide a Shipper with the message regarding the confirmed quantities following the receipt of a re-nomination.

**Renomination** means the subsequent reporting of a corrected nomination.

**Confirmed Nomination** (confirmed quantity) is the quantity that has gone through TSO matching process and nominated quantity has been confirmed by both TSOs.

**Technical Capacity** means maximum fixed capacity that TSO can offer to transport at the interconnection point with consideration of the system integrity and the requirements of the system operation. Technical capacity is the freely assignable capacity (booked and still able to be booked).

**Matching Process and Technical Capacity allocation**

1. **Matching Process**
	1. The purpose of the Matching Process is to have identical confirmed quantities for each Shipper at both sides of Balticconnector.
	2. Elering AS and Finnish TSO (FIN TSO) shall process received Nominations locally before the Matching Process is performed.
	3. Each Shipper submit Nominations to TSO whose system the Shipper is registered to meaning Double-Sided Nomination rules apply. If the same Shipper having the same company ID is active both sides of Balticconnector, the Shipper shall submit Nominations both sides of the interconnection point when transferring gas for itself through Balticconnector.
	4. The matching rule for coordinating confirmed quantities at Balticconnector is lesser rule.
	5. Initiating TSO shall be Elering AS and Matching TSO shall be FIN TSO.
	6. Coordinated Technical Capacity is compared to the results of Matching Process, i.e. to Confirmed Nominations. If the results of Matching Process, i.e. aggregated Confirmed Nominations exceed the coordinated Technical Capacity, Confirmed Nominations are reduced pro rata. FIN TSO as Matching TSO shall perform the comparison of coordinated Technical Capacity and the Confirmed Nominations with *pro rata* reduction if needed.
	7. Technical Capacity is compared to the results of Matching process of Renominations. If the results of Matching process exceed the Technical Capacity, the aggregated Confirmed Renomination are reduced pro rata for the part of renominated quantity which exceeds previously Confirmed Nomination. For example, Confirmed Nomination of the Shipper is 50 units. Shipper Renominates 70 units which means that already confirmed 50 units will stay as firm, but exceeding part of 20 units shall be reduced pro rata in case of congestion.
	8. Nominations must contain the data necessary to enable each TSO to perform its responsibilities in the Matching Process described out in Interoperability Network Code. Nominations not containing the necessary information are not accepted and included in the Matching Process.
	9. The TSOs may reject a Nomination or Renomination, if it contains incomplete or erroneous information, if the Nomination or Renomination has submitted after the ‘no later than’ deadline applied or if the Shipper does not have the right to submit Nominations or Renominations.
	10. TSOs shall reject submitted Renomination also in the following cases:
		1. If submitted downward Renomination is smaller than gas quantities already transported.
		2. If submitted upward or downward Renomination preclude system operations of TSOs to fulfil already Accepted Nominations.
		3. The Matching Process for Nominations starts each day at 15:00 EE(S)T meaning at the same time as the Nomination submission period ends.
	11. The Matching Process for Renominations starts every full hour when the respective Renomination cycle ends, if nominated quantities have changed during last Renomination cycle. First Renomination cycle starts after the day ahead nominations have been confirmed at 17:00 EE(S)T
	12. The Matching Process timeline is described in table 1.

Table 1. Timeline of Matching process.

|  |  |
| --- | --- |
| Matching Activity  | Deadline for Provision |
| Initiating TSO forwards its Processed Nomination Quantities to the Matching TSO  | Within 45 minutes from the start of Matching Process |
| Matching TSO forwards to Initiating TSO  | Within 90 minutes from the start of Matching Process |
| TSOs notify the Confirmed Quantities (Confirmed Nominations) to Shippers | Within 120 minutes from the start of Matching Process |

* 1. If aggregated Confirmed Nominations are larger than Technical Capacity, the congestion management rules are applied by each TSO described in section ‘Implicit Capacity Allocation and Congestion Management’ below.
	2. Information of the data exchange for the Matching Process shall contain at least the following information:
		1. The EIC of the Shipper submitting the Nomination;
		2. The EIC of the Counterparty Shipper specified;
		3. The Gas Day(s) to which the Nomination relates;
		4. The direction of the gas flow;
		5. The Nomination Quantity
			1. Elering AS shall receive Nomination Quantities in format kWh/d while FIN TSO shall receive Nomination Quantities in format kWh/h. To perform matching process by FIN TSO, Elering AS shall transform the Nominations in kWh/d to kWh/h before forwarding the them for FIN TSO. FIN TSO shall send the Accepted Nominations back to Elering AS in kWh/h. FIN TSO sends the Confirmed Nominations to respective Shippers in kWh/h and Elering AS sends the Confirmed Nominations back to the respective Shippers in kWh/d.
	3. In the absence of a valid Nomination and/or Renomination sent by Shipper before the nomination deadline, the nomination is considered to be zero.
	4. Coordinated and Confirmed Nominations will be used in system operations as final gas allocations for each Shipper at interconnection point.
	5. In case of interruption request due to unexpected capacity deficit the Interruption Process is applied as described under section ‘Exceptional Events and Gas Deficit Emergencies’ below.
	6. The need for interruption is checked during each Matching Process by Initiating and Matching TSOs. If interruption causes limitation to Shippers’ confirmed quantities, the Shippers are notified using interruption notification. Exact Interruption Process applied by each TSO is described in the transmission service agreement of each TSO.

**Questions/Proposals related to matching**

**For the above section, please find questions raised by TSOs for which TSOs would appreciate feedback from stakeholders. Stakeholders are encouraged to add the open question/issues to the table below.**

|  |  |  |
| --- | --- | --- |
| Reference | Question/Issue | Stakeholder comment |
| 1.14.5.1 | In accordance to Commission Regulation (EU) No 312/2014 (BAL NC) article 16 TSOs would like to consult all the stakeholders on the harmonisation of the nomination provision. With the current setup FIN TSO is planning to implement hourly nominations and Estonian TSO is planning to implement the daily nomination regime. The Renominations on the Balticconnector would be limited with hourly flows (not allowing to change the past flows). | [Additional comment of proposal] |
| [section nr] | [Question/identified issue] | [Additional comment of proposal] |

# **Exceptional Events and Gas Deficit Emergencies**

1. **General provisions**
	1. Exceptional event means situation where TSOs have to alter the physical gas flow in order to:
		1. Comply with provisions laid down in national or Union safety legislation applicable to the interconnection point.
		2. Comply with requirements laid down in Emergency Plans and Preventive Action Plans developed in accordance with Regulation (EU) No 994/2010 of the European Parliament and of the Council (1);
		3. React in case the TSO's system is affected by Exceptional Event.
	2. TSO shall notify the adjacent TSO in case of:
		1. There is an Exceptional Event or a Gas Deficit Emergency affecting the affected TSO's system, and the direction (affected direction) in which it is affected by the Exceptional Event; or
		2. An Exceptional Event or Gas Deficit Emergency previously notified is no longer affecting the affected TSO's system.
	3. In case TSOs are not able to organize physical flow based on the Confirmed Nominations through Balticconnector due to Exceptional Events or other reasons, it will be the responsibility of TSOs in cooperation to solve the situation still providing the commercial flow except the emergency situations described in the decree of Security of Supply. If TSO is unable to send data to the other TSO, it will inform before the deadline specified in this agreement the other TSO and will send the relevant data as soon as it is able to, and the other TSO will use reasonable endeavours to perform its activities until the data is received.
2. **Nomination/capacity interruption related provisions**
	1. If the Technical Capacity is affected by the Exceptional Event, the other TSO is informed as described in Article 3.3 below, and new information on Technical Capacity is coordinated and distributed in electronic format.
	2. In case there is need for interruption on Confirmed Nomination, the TSO requesting the interruption is responsible for notifying adjacent TSO and respective Shippers affected by the interruption, and publishing the interruption notice in Transparency Platform. Adjacent TSO shall inform Shippers registered to its system.
	3. Where TSO notifies an Exceptional Event or Gas Deficit Emergency to the other TSO, in relation to Nominations in the affected direction:
		1. The affected TSO shall determine revised Technical Capacity and shall send updated Technical Capacity.
		2. If already Confirmed Nomination must be interrupted, Matching TSO shall perform Matching process taking into account the updated amount of Technical Capacity. Reduction to already Confirmed Nominations shall be done pro rata for Shippers which are affected by Exceptional Event or Gas Deficit Emergency. The Nominations that have already been confirmed are prioritized before any Renominations that may have been received by the same matching deadline, i.e. Confirmed Nominations are prioritized before Confirmed Renominations.
		3. The TSOs will notify the revised Confirmed Nominations to their respective Shippers within Matching Process timeline specified under section ‘Matching Process and Technical Capacity allocation’ by providing an interruption notice.
	4. The steps described in paragraph 3.3. above shall be taken in accordance with the Matching Timetable on the basis that the Renomination cycle starts following the hour during which the affected TSO notifies the Exceptional Event or Gas Deficit Emergency or its cessation.
	5. Primary communication channel used in case of Exceptional Event is phone, confirmation is sent via e-mail.

# **Implicit Capacity Allocation and Congestion Management**

# **General principles**

* 1. Shippers can submit Nominations and Renominations according to Nominations rules described in Rules for Gas Transmission in Finland\* and Common Network Rules in Estonia.
	2. Capacity allocation principle shall be implicit capacity allocation. This means submitted Nomination is the request of corresponding amount of capacity.
	3. Shippers shall implicitly be allocated with capacity on the basis of:
		1. Confirmed Nominations which have gone through the TSOs local processing of Nominations and the Matching Process.
		2. Trading at the trading platform(s) of potential gas exchange(s) using daily quota to implicitly allocate the capacity according to the concluded trades.

# **Implicit capacity allocation via gas exchange(s)**

* 1. Part of the capacity shall be offered via trading platform of gas exchange(s) that have signed the respective Implicit Capacity Allocation (‘ICA’) agreement with TSOs.
	2. The following information shall be published on TSOs respective webpages:
		1. Information about active gas exchange(s) offering implicit capacity is published on TSOs respective homepages.
		2. The amount of capacity (%) given for a gas exchange.
	3. TSOs shall treat all gas exchanges offering implicit capacity equally.
	4. Amount of capacity given to each respective gas exchange is agreed between TSOs and gas exchange operator and any change in the amount of capacity given is communicated via TSOs respective homepages at least three days prior to the change.
	5. The residual amount of capacity given for day ahead shall be surrendered by Trading platform by the deadline agreed between gas exchange and TSOs.
	6. TSOs shall coordinate daily and within-day offered capacity values given to gas exchange for implicit capacity allocation by the deadline agreed between gas exchange and TSOs.
	7. TSOs shall reserve part of Balticconnector Technical Capacity for implicit allocation. The exact distribution of capacity allocated by TSOs shall be published on TSOs on relevant homepages.

*\*Content translated from Rules for Gas Transmission in Finland can be found at the end of this document*

# **Congestion management procedure**

* 1. In case of physical congestion for implicit capacity allocation procedure the following principles are applied:
		1. Gas quantities nominated by gas exchange with valid implicit capacity agreement are treated as Confirmed Nominations.
		2. All Nominations submitted directly to the TSOs are reduced using pro-rata method.
	2. To prevent hoarding, TSOs shall apply an underutilization fee with the following principles:
		1. If the initial nominated quantity differs from the renominated quantity more than a tolerance limit specified by TSOs, the TSOs have a right to apply the underutilization fee for the quantity exceeding the tolerance limit.
		2. The tolerance limit is published on the TSOs respective homepages and may be changed after a public consultation with prior notification to the Shippers.
		3. Changed tolerance limit does not apply to Gas Days already passed.

**Questions/Proposals related to Implicit Capacity Allocation and Congestion Management**

**For the above section, please find questions raised by TSOs for which TSOs would appreciate feedback from stakeholders. Stakeholders are encouraged to add the open question/issues to the table below.**

|  |  |  |
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| Reference | Question/Issue | Stakeholder comment |
| 4.2. | TSOs have asked an exemption from NRAs not to implement the capacity auction, as it would not be cost efficient way to allocate capacity. Even though there is no final decision, TSOs are providing for this public consultation capacity allocation mechanism based on implicit allocation, which is the only alternative recognized by Commission Regulation (EU) 2017/459 (CAM NC) in addition to capacity auctioning. The implicit allocation would be connected to nominations which are based on Commission Regulation (EU) No 312/2014 (BAL NC). The nominations are provided in daily and within-day timeframe. According to TSOs interpretation of relevant network codes FCFS allocation principle for longer-term capacity products are not permitted. Moreover, implementing the FCFS or any other longer-term product for the transitional phase would not be cost-efficient. In case of strong market need and NRAs request to apply FCFS products in light of CAM NC, TSOs are open for further discussions regarding the costs and benefits of applying FCFS products. |  |
| 6.2. | The tolerance limit and fee amount for underutilization is proposed to be as follows: The fixed tolerance limit 50 000 kWh/h and the underutilization fee 0,002 €/kWh. The fee shall be charged for the quantity under the tolerance limit. Alternatively, the TSOs have considered applying a proportional tolerance. (Elering has initially proposed a 10% tolerance limit with the possibility of changes if reasonably justified and considering the results of a public consultation.) |  |
| [section nr] | [Question/identified issue] | [Additional comment of proposal] |

**\*Quote translated from Rules for Gas Transmission in Finland**

“Shippers shall submit Nominations to the TSO no earlier than on Gas Day D-400 and no later than Gas Day D-1 at 13.00 UTC (daylight saving time) or by 12.00 UTC (summer time). A Nomination submitted may be corrected until the end of the above-mentioned time limit. Even if a Shipper does not submit Nominations by the above-mentioned time limit, the Shipper shall have the opportunity to submit Renominations.

The Shipper’s Nominations that have been made on Gas Day D-1 between 13:00 UTC (daylight saving time) and by 12:00 UTC (summer time) until 3:00 UTC (daylight saving time) and until 2:00 UTC (summer time) on Gas Day D-1 by performing Renomination. Any Renominations performed after that time limit shall be made for the remaining hours of the Gas Day. The last possible Renomination for the remaining hours of the Gas Day can be submitted on Gas Day D by 2:00 UTC (daylight saving time) and by 1:00 UTC (summer time).

When submitting (Re)Nominations, the Shipper shall include the following information:

* Direction of the flow.
* Requested gas quantities, expressed in format kWh/h
* Shipper’s identification code
* Shipper’s counterparty identification code
* Start time of the gas flow and Gas Days for which the (Re)Nomination is submitted”