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If a whole or part of a paragraph has been amended, the date of the amending regulation appears in square brackets at the end of the paragraph. If a whole paragraph or sub-paragraph has been deleted, the date of the deletion appears in square brackets beside the deleted paragraph or sub-paragraph.

**Decision No. 1/16 of the Board of the Public Utilities Commission**

Adopted 13 April 2017

**Regulations Regarding the Use of Natural Gas Transmission System**

*Issued pursuant to*

*Section 15, Paragraphs seven and eight and Section 45.2, Paragraphs three, six, and seven of the Energy Law*

[*28 October 2019*]

**I. General Provisions**

1. This Regulation prescribes:

1.1. the procedures for using a natural gas transmission system (hereinafter – the transmission system);

1.2. the rights, obligations, and responsibility of a natural gas transmission system operator (hereinafter – the transmission system operator) and transmission system users (hereinafter – the system users);

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

1.4. the responsibility of the system users for balance, and the procedures by which the transmission system operator makes a calculation of a daily imbalance fee;

1.5. the criteria and procedures by which the transmission system operator may request the system users to submit a security for fulfilment of liabilities.

2. The following terms are used in this Regulation:

2.1. **confirmed quantity**– the quantity of natural gas confirmed to be transmitted to the system user of the transmission system operator for a specific gas day;

2.2. **interruptible capacity**– the capacity of the transmission system which the transmission system operator may interrupt in accordance with the conditions provided for in this Regulation and an agreement on transmission system services;

2.3. **interruptible capacity product**– definite interruptible capacity within a specific period of time at a specific entry or exit point for which the system user may apply;

2.3.1 **responsibility for balance**– responsibility of the system user for its imbalance caused in the transmission system and for the settlements for it;

2.4. **balancing agreement**– an agreement concluded between the transmission system operator and the system user which determines responsibility of the system user for balance and settlements for daily imbalance;

2.5. **balancing portfolio**– information gathered by the transmission system operator on the quantity of natural gas of the system user injected into and withdrawn from the transmission system (for nominations and natural gas allocations) at the relevant entry and exit points;

2.6. **coordination of the quantity of natural gas**– comparison of the quantities of natural gas specified in nominations of the system users at the interconnection point of the transmission systems between the transmission system operators or storage facility operators;

2.7. **natural gas accounting site**– a place where a meter for commercial accounting of natural gas has been installed which is intended for accounting of the quantity of natural gas used in an object of the specific system user;

2.8. **party to the transaction**– the transmission system user or a user of national transmission system of a neighbouring country who organises supply of natural gas to the system user at entry and exit points of the transmission system or to whom the system user organises its supply;

2.9. **electronic website for the reservation of transmission capacities** – a website set up and administered by the transmission system operator which is available to the system users and on which the transmission system operator registers and publishes information regarding reservation of capacities, refusal of capacities, transfer of capacities, nominations, re-nominations, and other relevant information related to the provision of the transmission system service;

2.10. **energy identification code**– an identification code assigned to the system user on the basis of the Energy Identification Coding (EIC) scheme;

2.11. **gas quarter**– a period from 1 January at 7:00 to 1 April at 7.00; a period from 1 April at 7:00 to 1 July at 7:00; a period from 1 July at 7:00 to 1 October at 7:00; a period from 1 October at 7:00 to 1 January at 7:00 (from 5:00 to 5:00 UTC (universal time coordinated) in the winter time period and from 4:00 to 4:00 UTC in the summer time period);

2.12. **gas day**(gas day D) – a period which begins each day at 7:00 and ends on the following day at 7:00 (from 5:00 to 5:00 UTC on the following day in the winter time period and from 4:00 to 4:00 UTC on the following day in the summer time period). When changing to winter time, a gas day D shall last for 25 hours, and when changing to summer time – 23 hours; (gas day D-1 – a gas day prior to the gas day D or gas day D+1 – a gas day following the gas day D);

2.13. **gas year**– a period which begins each year on 1 April at 7:00 and ends on 1 April of the following year at 7:00 (from 5:00 to 5:00 UTC in the winter time period and from 4:00 to 4:00 UTC in the summer time period);

2.14. **gas month**– a period which begins on the 1st day of each calendar month at 7:00 and ends on the 1st day of the following calendar month at 7:00 (from 5:00 to 5:00 UTC in the winter time period and from 4:00 to 4:00 UTC in the summer time period);

2.15. **entry capacity**– capacity of the transmission system at the relevant entry point;

2.16. **entry point**– a place at which natural gas is injected into the cross-border transmission system from the national transmission system of a neighbouring country, a natural gas storage facility or a liquefied natural gas terminal and at which the transport of natural gas starts through the cross-border transmission system;

2.17. **injection season**– a time period during which the storage facility operator injects natural gas into the storage facility;

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

2.19. **exit capacity**– capacity of the transmission system at the relevant exit point;

2.20. **exit point**– a place at which natural gas is injected from the cross-border transmission system into the national transmission system of a neighbouring country, a natural gas distribution system (hereinafter – the distribution system), a natural gas storage facility, or a liquefied natural gas terminal and at which the transport of natural gas into the cross-border transmission system ends; if the distribution system is connected with the transmission system at several places of the transmission system, all points of connection shall be considered to be one exit point;

2.21. **exit point for the supply of users in Latvia**– a commercial exit point which does not have a specific physical place in the transmission system;

2.22. **use-it-or-lose-it**– a principle according to which the transmission system operator re-distributes the capacities of the transmission system reserved but not used by the system users by applying forced transfer of capacities;

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

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

2.25. **capacity**– the maximum possible flow of natural gas expressed in the unit of energy in relation to the unit of time which the system user has the right to use in accordance with this Regulation;

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

2.27. **storage facility**– Inčukalns underground gas storage;

2.28. **contractual congestion**– a situation when the demand for firm capacity exceeds the technical capacity;

2.29. **provision of the minimum applied quantity of natural gas**– if the system user who supplies and receives natural gas at the entry and exit points wishes to inject or withdraw different quantity of natural gas, the transmission system operator shall apply the minimum quantity of natural gas indicated in the nomination;

2.30. **imbalance**– a situation when during the balancing period the quantity of natural gas which the system user has injected into the transmission system (injection) differs from the quantity of natural gas which the relevant system user has withdrawn from the transmission system (withdrawal), or a situation when the total quantity of natural gas injected into the transmission system differs from the total quantity of natural gas withdrawn from the transmission system;

2.31. **unused capacity**– firm capacity which the system user has reserved but not nominated within the time period for the use of the capacity product in the relevant time period;

2.32. **indirect allocation method**– a method for the distribution of cross-border interconnection capacity when both the transmission capacity and the corresponding quantity of natural gas are allocated concurrently in the form of a auction;

2.33. **nomination**– a prior notification of the system user to the transmission system operator of the amount of natural gas determined in kilowatt hours per day (kWh/d) which the system user is willing to inject into or withdraw from the transmission system;

2.34. **agreement on the transmission system service**– an agreement concluded between the transmission system operator and the system user on the transmission system service;

2.35. **available capacity**– a part of the technical capacity which has not been allocated and is still available to the system user at the relevant moment;

2.36. **allocation**– the amount of natural gas injected into at a specific entry point or withdrawn at a specific exit point which has been allocated to the system user of the transmission system operator and expressed in kilowatt hours to determine imbalance quantity of the gas day D;

2.37. **applicant**– a person who submits an application to the transmission system operator to acquire the rights to use the transmission system;

2.38. **primary capacity market**– a market in which the transmission system operator is directly engaged in the trade of capacities;

2.39. **first-come, first-served principle**– a form of allocation of the capacity product when the capacity product is allocated first to the system users who have been first to submit an application for the reservation of the capacity product;

2.40. **re-nomination**– a subsequent notification of the system user regarding a corrected nomination;

2.41. **secondary capacity market**– a market in which the system users transfer the capacities purchased in the primary market to other system users;

2.42. **system user**– a person who has concluded an agreement regarding transmission system service with the transmission system operator and uses the transmission system service;

2.43. **standard conditions**– temperature of 0 °C and 1,01325 bar (a); as to the gross calorific value, energy and Wobbe index, a combustion reference temperature by default is 25 °C;

2.44. **standard capacity product**– definite capacity of the transmission system within a specified time period at a specific entry or exit point which may be reserved by the system user;

2.45. **technical capacity**– the maximum possible firm capacity which the transmission system operator may offer to the system users by taking into account the system integrity and the operational requirements for the transmission system;

2.46. **technical balancing agreement**– an agreement concluded between the neighbouring transmission system operators on the organisation of technical balancing;

2.47. **virtual point of sale**– a place which is not physically specified in the transmission system and at which natural gas is transferred without the need for the system user to reserve the capacity products.

[*25 October 2018; 25 July 2019*]

3. The system user shall, when contacting the transmission system operator in the cases provided for in this Regulation, submit the information and documents to the transmission system operator either in Latvian or English optionally. The information and documents specified in this Regulation and sent electronically shall be signed with a secure electronic signature, unless the transmission system operator and the system user agree otherwise.

**II. Characteristics of the Transmission System**

4. The transmission system is composed of the following:

4.1. the gas pipelines of the transmission system;

4.2. the gas measuring stations (GMSs);

4.3. the gas regulation stations;

4.4. the equipment for the protection of gas pipelines against corrosion;

4.5. the data transmission and communications systems.

5. Natural gas may be injected into the transmission system at the following entry points:

5.1. the natural gas accounting site – GMS Korneti with accounting GMS Izborsk;

5.2. the natural gas accounting site – GMS Kiemenai;

5.3. the natural gas accounting site – GMS Karksi;

5.4. the transmission system interconnection with the storage facility;

5.5. the transmission system interconnection with the system of the system user directly connected to the transmission system, including the liquefied natural gas facility and biomethane production facility.

[*25 July 2019*]

6. Natural gas may be withdrawn from the transmission system at the following exit points:

6.1. natural gas accounting site – GMS Korneti;

6.1. the natural gas accounting site – GMS Kiemenai;

6.3. the natural gas accounting site – GMS Karksi;

6.4. the transmission system interconnection with the storage facility;

6.5. the transmission system interconnection with the system of the system user directly connected to the transmission system, including the liquefied natural gas facility;

6.6. the exit point for the supply of users in Latvia.

[*25 July 2019*]

7. The transmission system operator shall determine and publish on its website the operational mode of the transmission system and the natural gas supply directions, and, taking into account the technical condition of the relevant gas pipeline of the transmission system, the maximum permissible working pressure for each gas pipeline of the transmission system. The minimum working pressure in gas pipelines of the transmission system is 2.5 MPa.

[*25 October 2018*]

8. Two weeks before the beginning of each injection season and withdrawal season, the transmission system operator shall, by agreeing with the storage facility operator, determine the maximum and minimum pressure of the natural gas flow at which the transmission system operator shall deliver natural gas to the storage facility operator for injection into the storage facility and the storage facility operator shall withdraw natural gas from the storage facility to inject it into the transmission system, and publish the abovementioned information on its website.

[*25 October 2018*]

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

9. The transmission system operator has an obligation to:

9.1. calculate and publish the capacity in accordance with this Regulation;

9.2. ensure provision of the transmission system service to the system user and non-discriminatory reservation of the capacity of the transmission system in accordance with this Regulation;

9.3. provide information related to the use of the transmission system to the system user in a timely manner;

9.4. upon agreeing with the Regulator, offer long-term capacity products for more than one year following informing of all the system users and publishing the conditions and time periods for the distribution of the capacity product of a specific time period on its website, if the transmission system operator has received a request of the system user to ensure such long-term capacity products.

[*25 October 2018*]

10. The transmission system operator has the right to:

10.1. restrict the provision of the transmission system service in the cases provided for in this Regulation and the agreement on the transmission system service in accordance with the procedures laid down in Chapter XVII of this Regulation;

10.2. allocate the capacity at the entry points specified in Sub-paragraphs 5.2 and 5.3 and at the exit point specified in Sub-paragraphs 6.2 and 6.3 of this Regulation by employing the indirect allocation method;

10.3. request information from the system users, the storage facility operator, and the natural gas distribution system operator (hereinafter – the distribution system operator) which is necessary for the transmission system operator to perform the activities specified in this Regulation;

10.4. reserve in an economically reasonable manner the capacity products at entry and exit points of other transmission systems, entry and exit points of the storage facility, as well as the capacity of storage facility and liquefied natural gas terminal which is necessary for ensuring sustainable operation of the transmission system and stable provision of transmission services;

10.5. conclude an agreement on purchase and sale of technical balancing energy of the transmission system;

10.6. to acquire and process data regarding users of the transmission system and applicants;

10.7. request from the system users to provide a security for fulfilment of liabilities;

10.8. receive a fee for the provided transmission system service and balancing to the extent and in accordance with the procedures laid down in this Regulation, the agreement on the transmission system service and the balancing agreement.

[*25 October 2018*]

11. The system users have an obligation to:

11.1. organise the supply of natural gas to the entry point of the transmission system and the receipt of natural gas from the exit point of the transmission system in accordance with the procedures laid down in this Regulation;

11.2. ensure that entries in the transmission system correspond to the exits from the transmission system;

11.3. pay for the received transmission system service and auxiliary services, including balancing, in accordance with the procedures laid down in this Regulation, the agreement on the transmission system service and the balancing agreement;

11.4. submit the necessary information related to the transmission system service and balancing in accordance with the procedures laid down in this Regulation.

12. The system users have the right to:

12.1. use the transmission system and receive the natural gas transmission system service and auxiliary services, including balancing, in accordance with the procedures and to the extent laid down in this Regulation, the agreement on the transmission system service and the balancing agreement;

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

12.3. receive invoices for the transmission system service and balancing in accordance with the procedures laid down in this Regulation, the agreement on the transmission system service and the balancing agreement.

**IV. Procedures for Concluding an Agreement on the Transmission System Service and an Agreement on the Balancing Service**

[*25 October 2018*]

13. The applicant shall submit an application to the transmission system operator to acquire the rights to use the transmission system (Annex 1). The applicant shall append the following to the application:

13.1. a document attesting that the applicant has registered its commercial activity according to the laws and regulations of the relevant country;

13.2. a document attesting representation if the application is submitted by a representative authorised by the applicant;

13.3. a document attesting that an insolvency procedure of the applicant has not been announced, the economic activity of the applicant is not suspended or the applicant is not liquidated, and issued not later than one month prior to the day of submitting the application;

13.4. an annual report regarding the last three years (or the actual time of operation, taking into account the time when the applicant was established or the operation was commenced regarding which the annual report has to be submitted) or another equivalent document attesting the economic and financial situation of the applicant according to the laws and regulations of the relevant country;

13.5. information regarding the credit rating of the applicant granted by a known credit agency or rating agency (not to be submitted if it is planned to submit a security for fulfilment of liabilities according to Chapter XVIII of this Regulation).

14. If the information referred to in the documents specified in Paragraph 13 of this Regulation is available free of charge in Latvian or English in an official gazette or a State public register, the applicant has the right to not submit the relevant documents, precisely indicating in the application the website where the relevant information is available.

[*25 October 2018*]

15. The transmission system operator shall evaluate the application referred to in Paragraph 13 of this Regulation and the documents appended thereto within five working days from the day of receipt thereof. The transmission system operator may request the applicant to submit the missing documents and additional information.

16. If the transmission system operator has requested the applicant to submit additional information or documents, the applicant shall submit them within 10 working days from the day of sending the request. If the applicant fails to submit the requested additional information or documents within the time period specified in this Paragraph, it shall be deemed that the applicant has revoked its application.

17. The applicant may submit the documents and additional information referred to in Paragraphs 13 and 15 of this Regulations to the transmission system operator electronically.

18. If the applicant has submitted all the documents and additional information referred to in Paragraphs 13 and 15 of this Regulation, the transmission system operator shall, within five working days from the day of receipt of the documents and additional information, prepare an agreement on the transmission system service (Annex 2) and a balancing agreement (Annex 3) and send them to the applicant electronically. The transmission system operator shall assign an Energy Identification Code (EIC) to the system user, if none has already been assigned to the system user.

[*25 October 2018*]

19. The applicant shall submit to the transmission system operator a signed agreement on the transmission system service and a balancing agreement, each in duplicate, within 10 working days from the day of sending of the agreements. If the applicant has failed to submit the signed agreements to the transmission system operator within 10 working days from the day of sending of the agreements, it shall be deemed that the applicant has revoked its application.

[*25 October 2018*]

20. The transmission system operator shall, within three days from the day of receipt of the agreements signed by the applicant, sign the agreement on the transmission system service and the balancing agreement, and send one copy of each agreement to the applicant.

[*25 October 2018*]

21. During duration of the agreement on the transmission system service and of the balancing agreement the transmission system operator and the system user may agree upon amendments to the concluded agreements, provided that such changes are not in contradiction with this Regulation. The transmission system operator shall inform the Regulator thereof within 10 days by submitting the copy of the relevant agreement.

[*25 October 2018*]

22. The transmission system operator shall, within one working day after evaluating the applicant’s application, inform the applicant of the refusal to conclude the agreement on the transmission system service by sending a notification to the electronic mail address indicated in the application of the applicant. The transmission system operator shall send a motivated written refusal to conclude the agreement on the transmission system service by post to the address indicated in the application of the applicant within the time period specified in the law On Regulators of Public Utilities.

**V. General Provisions for the Reservation of Capacity Products**

23. The transmission system operator shall calculate and publish on its website the technical capacity, the available capacity, and the reserved interruptible capacity at the entry points referred to in Sub-paragraphs 5.1, 5.2, and 5.3 and at the exit points referred to in Sub-paragraphs 6.1, 6.2, and 6.3 of this Regulation for the relevant period of time. When making a calculation of capacity, the transmission system operator shall use appropriate historical data of the previous periods, data on hydraulic modelling of pipelines, changes in natural gas infrastructure, planned maintenance works and dynamics of capacity reservation at each entry and exit point.

[*25 October 2018*]

24. The procedures for reserving capacity products laid down in this Regulation shall be applicable to all entry and exit points, except for the entry and exit points referred to in Sub-paragraphs 5.4, 6.4, and 6.6 of this Regulation at which the transmission system operator does not offer capacity reservation.

[*25 July 2019*]

25. During the operation of the agreement on the transmission system service the system user has the rights to reserve capacity products at each entry or exit point individually and for each capacity product individually in conformity with the standard communications protocol specified in Annex 4 to this Regulation.

26. In conformity with a cooperation agreement concluded between the transmission system operator and the neighbouring transmission system operator, at the entry points referred to in Sub-paragraphs 5.1–5.3 and at the exit points referred to in Sub-paragraphs 6.1–6.3 of this Regulation the transmission system operators shall offer grouped capacity products – standard capacity products which consist of connected entry and exit capacities on both sides of the interconnection point. The transmission system operator shall publish an offer of grouped capacity products on its website.

[*25 October 2018*]

27. If the system user wishes to transmit natural gas to another transmission system, the system user has an obligation to reserve the exit capacity at any of the exit points specified in Sub-paragraph 6.1, 6.2, or 6.3 of this Regulation.

[*25 October 2018*]

28. The transmission system operator shall offer the capacity products specified in this Regulation at entry and exit points of the transmission system by applying the first-come, first-served principle.

29. The transmission system operator shall offer the following standard capacity products at the entry points referred to in Sub-paragraphs 5.1 and 5.2 and at the exit points referred to in Sub-paragraphs 6.1–6.3 of this Regulation:

29.1. the long-term capacity product – annual capacity (kWh/d/year);

29.2. the short-term capacity products:

29.2.1. quarterly capacity (kWh/d/quarter);

29.2.2. monthly capacity (kWh/d/month);

29.2.3. daily capacity (kWh/day);

29.2.4. current daily capacity (kWh/day).

30. [25 October 2018]

31. The transmission system operator shall offer interruptible virtual counterflow capacity products at the entry point referred to in Sub-paragraph 5.3 this Regulation at which it is impossible to ensure a physical reverse flow of natural gas. The transmission system operator shall publish an offer of interruptible virtual counterflow capacity products on the website for the reservation of transmission capacities.

[*25 October 2018*]

32. If the firm capacity requested by the system user exceeds the capacity available in the transmission system, when reserving the firm capacity of a specific period, the system user has the right to reserve the interruptible capacity of the relevant time period.

33. When establishing that it is necessary to discontinue provision of interruptible capacity products to the system users to the extent necessary for the provision of firm capacity, the transmission system operator shall discontinue it by interrupting capacity first to the users who have been the last to reserve the interruptible capacity. The transmission system operator shall inform the system user of the interruption of capacity not later than one hour and 30 minutes in advance.

34. If the system user submits an application for the reservation of capacity product after the time period specified in Paragraph 37, Sub-paragraphs 42.1 and 42.2 of this Regulation, the transmission system operator shall, not later than within one day, inform the system user of the refusal to reserve the capacity product of a specific time period due to delay. If the system user submits an application for the reservation of capacity product after the time period specified in Sub-paragraphs 42.3 and 42.4 of this Regulation, the transmission system operator shall immediately inform the system user of the refusal to reserve the capacity product of a specific time period due to delay.

35. Reservation of new capacity the introduction of which requires investments in the transmission system shall be performed in accordance with the procedures for the reservation of a long-term capacity product.

36. After receipt of the confirmation of the reservation of capacity product, the system user has an obligation to settle accounts with the transmission system operator for the reserved capacity product according to the procedures specified in the agreement on the transmission system service.

36.1 If, when submitting an application for the reservation of capacity product within the time period specified in Paragraph 37, Sub-paragraphs 42.1, 42.2, 42.3, and 42.4 of this Regulation and completing the standard communications protocol specified in Annex 4 to this Regulation, the system user has entered data incorrectly, the system user has the right to request to cancel the application for the reservation of capacity products in conformity with the following conditions:

36.11. the user has submitted the application for the reservation of capacity product at least one hour before the end of the time period for reservation of capacity product specified in Paragraph 37, Sub-paragraphs 42.1, 42.2, 42.3, and 42.4 of this Regulation;

36.12. the user has sent to the electronic mail address of the transmission system operator an application letter regarding the mistake not later than within 30 minutes from the submission of the application for the reservation of capacity product. The name and time of submission of the reservation application file shall be indicated in the letter.

[*25 October 2018*]

**VI. Procedures for the Reservation of Long-term Capacity Products**

37. When submitting and approving an application for the reservation of a long-term capacity product, the system user and the transmission system operator shall use the standard communications protocol specified in Annex 4 to this Regulation. The system user shall submit an application for the reservation of a long-term capacity product not later than two months prior to the beginning of the following gas year and not earlier than six months prior to the beginning of the following gas year.

[*4 September 2017*]

38. The transmission system operator shall, not later than by the next working day which follows the day of the submission of the application for the reservation of capacity at 16:30 (14:30 UTC in the winter time period and 13:30 UTC in the summer time period), inform the system user of the allocated firm capacity in conformity with the standard communications protocol specified in Annex 4 to this Regulation.

39. If the amount of firm capacity requested by the system user exceeds the available capacity, the transmission system operator shall reject the application for the reservation of capacity and immediately inform the system user thereof. In the case of rejection the system user may submit a new application for the reservation of firm and interruptible capacities in conformity with the standard communications protocol specified in Annex 4 to this Regulation within the time period specified in Paragraph 37 of this Regulation.

40. Upon receipt of the application specified in Paragraph 39 of this Regulation, the transmission system operator shall notify the system user of the allocation of firm and interruptible capacities in conformity with the standard communications protocol specified in Annex 4 to this Regulation within the time period specified in Paragraph 38 of this Regulation.

41. When informing the system user of the long-term capacities reserved at the relevant entry and exit points, the transmission system operator shall concurrently register this information on the website for the reservation of transmission capacities.

**VII. Procedures for the Reservation of Short-term Capacity Products**

42. The system user shall submit applications for the reservation of short-term capacity products in conformity with the standard communications protocol specified in Annex 4 to this Regulation within the following time periods:

42.1. the application for the reservation of quarterly capacity product – not later than by 15:00 (13:00 UTC in the winter time period and 12:00 UTC in the summer time period) on the gas day D-1 prior to the beginning of the relevant gas quarter and not earlier than two gas months prior to the beginning of the period of the use of the first quarter capacity of the gas year;

42.2. the application for the reservation of monthly capacity product – not later than by 15:00 (13:00 UTC in the winter time period and 12:00 UTC in the summer time period) on the gas day D-1 prior to the beginning of the relevant gas month and not earlier than 29 gas days prior to the beginning of the period of the use of the first month capacity of the gas quarter;

42.3. the application for the reservation of gas day D capacity product shall be submitted by a user not later than by 15:00 (13:00 UTC in the winter period and 12:00 UTC in the summer period) on the gas day D-1 and not earlier than nine gas days prior to the first gas day of the gas month which includes gas day D. The transmission system operator shall publish on its website the capacity transferred for the reservation during the application of the indirect capacity allocation method (beginning and end of the exchange trade session);

42.4. the application for the reservation of the current daily capacity product shall be submitted by a user not later than two hours and 30 minutes prior to the beginning of the use of capacity of the current daily capacity product (i.e. not later than three hours and 30 minutes prior to the end of the gas day) but not earlier than at 15:00 (13:00 UTC in the winter time period and 12:00 UTC in the summer time period) on the gas day D-1. The transmission system operator shall publish on its website the capacity transferred for the reservation during the application of the indirect capacity allocation method (beginning and end of the exchange trade session).

[*4 September 2017; 25 October 2018*]

43. Upon receipt of an application for the reservation of the relevant short-term capacity product the transmission system operator shall evaluate whether the available capacity is sufficient at the entry and exit points, and approve or reject the application for the reservation of short-term capacity product by using the standard communications protocol specified in Annex 4 to this Regulation:

43.1. the transmission system operator shall inform the system user of the allocation of quarterly and monthly capacity products not later than on the next working day following receipt of the application for the reservation of capacity product by 16:30 (14:30 UTC in the winter time period and 13:30 UTC in the summer time period). If the quarterly or monthly capacity product requested by the system user exceeds the available capacity, the transmission system operator shall reject the application for the reservation of capacity product and immediately inform the system user thereof. After receipt of the information referred to in this Paragraph the system user may submit new applications for the reservation of firm and interruptible capacities in accordance with the standard communications protocol specified in Annex 4 to this Regulation. The system user shall send the new applications for the reservation of firm and interruptible capacities to the transmission system operator within the time period for the reservation of quarterly and monthly capacity products specified in Sub-paragraphs 42.1 and 42.2 of this Regulation. After receipt of the new applications for the reservation of firm and interruptible capacities from the system user, the transmission system operator shall, within the time period specified in this Paragraph, notify the system user of the allocation of uninterruptible and interruptible capacities in conformity with the standard communications protocol specified in Annex 4 to this Regulation;

43.2. the transmission system operator shall inform the system user of the allocation of gas day D capacity product not later than within one hour after receipt of the application for the reservation of capacity product. If the requested gas day D capacity product exceeds the available capacity, the transmission system operator shall reject the application for the reservation of capacity product and immediately inform the system user thereof. After receipt of the information referred to in this Paragraph, the system user may submit new applications for the reservation of firm and interruptible capacities in conformity with the standard communications protocol specified in Annex 4 to this Regulation. The system user shall send the new applications for the reservation of firm and interruptible capacities to the transmission system operator within the time period for the reservation of gas day D capacity product specified in Sub-paragraph 42.3 of this Regulation. After receipt of the new applications for the reservation of firm and interruptible capacities from the system user, the transmission system operator shall, within the time period specified in this Paragraph, notify the system user of the allocation of uninterruptible and interruptible capacities in conformity with the standard communications protocol specified in Annex 4 to this Regulation;

43.3. the transmission system operator shall inform the system user of the allocation of the current daily capacity product not later than within one hour after submission of the application for the reservation of capacity product. If the requested current daily capacity product exceeds the available capacity, the transmission system operator shall reject the application for the reservation of capacity product by informing the system user thereof in conformity with the standard communications protocol specified in Annex 4 to this Regulation.

44. The transmission system operator shall approve or reject applications for the reservation of capacity products by applying the first-come, first-served principle on the basis of the time of receipt of the relevant application for the reservation of capacity product.

45. When informing the system user regarding the allocation of the short-term capacity product of the relevant period at the specific entry and exit points, the transmission system operator shall concurrently register this information on the website for the reservation of transmission capacities.

**VIII. Secondary Capacity Market**

46. The system user who has reserved the standard capacity products specified to in Paragraph 29 of this Regulation may agree with another system user and transfer the capacity product or part thereof calculated for the gas day and referred to in Sub-paragraphs 29.1, 29.2.1, 29.2.2, and 29.2.3 of this Regulation.

47. When transferring the reserved capacity product or part thereof the system user shall transfer the right to another system user to use the capacity of a specific time period at the relevant entry or exit point. Liabilities against the transmission system operator, including the liability to pay for the reserved capacity product, shall remain with the system user who transfers the reserved capacity product.

48. The system user who transfers the reserved capacity product and the system user who acquires this capacity product shall inform the transmission system operator of the transferred capacity product in accordance with the standard communications protocol specified in Annex 4 to this Regulation not later than two hours prior to the expiration of the time period for the submission of nominations specified in this Regulation by submitting the following information to the transmission system operator:

48.1. the type of capacity product in conformity with Paragraph 29 of this Regulation;

48.2. the entry or exit point;

48.3. the amount of the transferred capacity product (kWh/d);

48.4. the start and end dates of the use of the transferred capacity product;

48.5. the energy identification code.

49. The transmission system operator shall confirm the transfer of the reserved capacity product not later than within one hour after receipt of the information from both parties to the transaction in conformity with the standard communications protocol specified in Annex 4 to this Regulation. Together with the confirmation of the transaction the system user who has acquired the right to use capacity product also acquires the right to submit capacity nominations in accordance with the procedures and within the time periods specified in Chapter XI of this Regulation.

50. The transmission operator may refuse to confirm the transfer of the reserved capacity product:

50.1. if information regarding the transfer of capacity product has only been received from one system user (one party to the transaction);

50.2. if the information provided by the system users does not match or is incomplete;

50.3. if the amount of the capacity product to be transferred by the system user exceeds the unused capacity.

**IX. Congestion Management of the Transmission System**

51. If the system user who requires capacity from the transmission system operator does not acquire the required capacity in the secondary capacity market due to the contractual congestion within 10 working days from sending the notification of the transmission system operator specified in Paragraph 58 of this Regulation, the transmission system operator shall commence a congestion management process by informing thereof on its website.

[*25 October 2018*]

52. The transmission system operator shall carry out the contractual congestion management as follows:

52.1. by turning to the system users who have unused capacity and requiring them to provide information regarding the actual need for capacity at a specific exit or entry point in the relevant time period. The system users shall provide the required information not later than within five working days from receipt of the request from the transmission system operator;

52.2. by accepting and re-allocating capacity products which the system users voluntarily transfer for re-allocation;

52.3. by re-allocating the unused capacity which the transmission system operator acquires by applying forced transfer of capacities on the basis of the use-it-or-lose-it principle.

53. The system users may transfer the reserved firm capacity to the transmission system operator, except for the daily and current daily capacity products reserved for gas day D-1.

54. Upon receipt of the notification from the system user that he or she refuses the reserved firm capacity, the transmission system operator shall immediately publish information regarding the transferred amount of capacity and the relevant entry and exit points at which the system user refuses the capacity on the electronic site for the reservation of transmission capacities.

55. The transmission system operator shall allocate the transferred capacity if other system users wish to reserve the firm capacity at the relevant entry or exit point. The transferred capacity shall be allocated upon allocation of the available capacity which has been determined prior to the allocation of capacities. The transmission system operator shall immediately inform the system user who, in accordance with Paragraph 53 of this Regulation, has refused the capacity in conformity with the standard communications protocol specified in Annex 4 to this Regulation that the transferred capacity has been allocated to another system user.

56. The system user shall retain his or her rights and obligations in respect of the transferred capacity until the moment the transmission system operator allocates it fully or partly to another system user. The system user shall be released from an obligation to pay for the re-allocated capacity to the extent the transmission system operator has received payment from another system user for the transferred capacity. The transmission system operator shall allocate the transferred capacity as available capacity on the basis of the principles for allocation of capacity specified in Chapters V–VII of this Regulation.

57. The transmission system operator shall initiate forced transfer of capacity according to the use-it-or-lose-it principle if at least one of the following conditions exists:

57.1. the system user uses less than 80 % of the reserved annual capacity product a day as an average at a specific entry or exit point, and has failed to provide an objective justification;

57.2. the system user systematically nominates 90 %–100 % of the reserved capacity product at a specific entry or exit point and re-nominates by reducing it.

58. If the transmission system operator determines the conditions referred to in Paragraph 57 of this Regulation, the transmission system operator shall notify the relevant system user thereof in conformity with the standard communications protocol specified in Annex 4 to this Regulation. The transmission system operator shall indicate in the notification the capacity requested by other system users and the maximum share of the unused capacity at a specific entry or exit point which may be transferred to other system users. The system user shall, within five working days upon receipt of the notification from the transmission system operator specified in this Paragraph, offer the unused capacity in the secondary capacity market or transfer it to the transmission system operator.

59. If the system user who has unused capacity submits a justification for the need to have this capacity within five working days after receipt of the notification from the transmission system operator specified in Paragraph 58 of this Regulation, the transmission system operator shall inform the system user requesting capacity that the requested capacity is not available

60. If other system users requests firm capacity and the system user who has unused capacity fails to conduct the activities specified in Paragraph 58 of this Regulation or fails to submit a justification for the need to have capacity within the time period specified in Paragraph 59 of this Regulation, the transmission system operator shall initiate forced transfer of capacity by informing the system user thereof in advance.

61. If several system users have unused capacity and the transmission system user initiates forced transfer of capacity or if several system users declare their intention to transfer capacity to the transmission system operator, the transmission system operator shall make transfer of capacity on the basis of the principle of proportionality which means that:

61.1. the amount of the capacity to be transferred by the system user is equal to the proportion of the amount of the capacity reserved but not nominated by the system users at a relevant point (where other system users wish to have capacity) and the total amount of the capacity reserved but not nominated by all those system users at the relevant point to whom forced transfer of capacity is initiated, multiplied by the amount of the capacity requested by another system user;

61.2. if several system users wish to transfer capacity, the amount of the capacity to be transferred equals the proportion of the amount of the capacity reserved and requested for transfer but not nominated by the system user at a relevant point (where other system users wish to have capacity) to the amount of the capacity not nominated but requested for transfer at the relevant point by all system users who have expressed the wish to transfer capacity, multiplied by the amount of the capacity requested by other system users.

62. In the case of forced transfer of capacity the system user who requests capacity has an obligation to reserve a capacity product by paying the price which is calculated in proportion to the remaining period of the capacity product.

63. In the case of forced transfer of capacity from the system user who has unused capacity and for whom forced transfer of capacity is commenced a capacity product shall be transferred to other system users free of charge.

64. In the case of contractual congestion, the transmission system operator shall, upon evaluation of the system user in accordance with the procedures laid down in Chapter XI of this Regulation for the nomination submitted for a specific gas day D, offer the unused firm capacity of gas day D on the gas day D-1 in the primary capacity market as interruptible capacity at all entry and exit points, except for the entry and exit points specified in Sub-paragraphs 5.4, 6.4, and 6.6 of this Regulation.

[*25 October 2018; 25 July 2019*]

**X. General Provisions for Nominations and Re-nominations**

65. The system user who wishes to inject into or withdraw specific quantity of natural gas from the transmission system at the entry points specified in Sub-paragraphs 5.1, 5.2, 5.3, and 5.5 and at the exit points specified in Sub-paragraphs 6.1, 6.2, 6.3, and 6.5 of this Regulation where capacity products have been reserved shall be obliged to, within the time periods specified in Chapter XI of this Regulation and in conformity with the standard communications protocol specified in Annex 4 to this Regulation, submit a nomination to the transmission system operator.

[*25 July 2019*]

66. The system user who wishes to withdraw specific quantity of natural gas from the transmission system at the exit point specified in Sub-paragraph 6.6 of this Regulation shall be obliged to, within the time periods specified in Chapter XI of this Regulation and in conformity with the standard communications protocol specified in Annex 4 to this Regulation, submit a nomination to the transmission system operator.

[*25 July 2019*]

66.1 The system user who wishes to place specific quantity of natural gas for storage in a storage facility or withdraw it from a storage facility at the entry point specified in Sub-paragraph 5.4 or at the exit point specified in Sub-paragraph 6.4 of this Regulation has an obligation to, within the time periods specified in Chapter XI of this Regulation and in conformity with the standard communications protocol specified in Annex 4 to this Regulation, submit a trade notice to the transmission system operator.

[*25 October 2018*]

67. The system user may adjust the nomination by submitting a re-nomination to the transmission system operator in accordance with the standard communications protocol specified in Annex 4 to this Regulation.

68. The capacity product reserved by the system user shall not be adjusted, when submitting a nomination or re-nomination to the transmission system operator.

69. If the system user fails to submit a nomination for gas day D, the transmission system operator shall assume that nomination of the system user is equal to zero.

70. If the system user fails to submit a nomination for two consecutive gas days D without a valid reason, the transmission system operator shall request that the system user submits nomination at each entry or exit point where the system user has reserved capacity.

71. Nomination of the system user of the quantity of natural gas which the system user wishes to inject into the transmission system shall not necessarily match the nomination of the quantity of natural gas which he or she wishes to withdraw from the system, and vice versa.

72. The transmission system operator may request that the system user submits additional information regarding nominations, including a detailed forecast of the quantities of natural gas planned to be injected and withdrawn in the following gas month at each entry or exit point.

73. The transmission system operator shall constantly coordinate the quantity of natural gas with the neighbouring transmission system operator or the storage facility operator at the entry points referred to in Sub-paragraphs 5.2, 5.3, and 5.4 and at the exit points referred to in Sub-paragraphs 6.2, 6.3, and 6.4 of this Regulation in order to ensure that the planned quantity of the injected and withdrawn natural gas at a specific entry or exit point in the nomination submitted by the system user complies with the planned quantity of injected and withdrawn gas in the nomination submitted by the other party to the transaction of the system user.

74. If the quantities of natural gas referred to in Paragraph 73 of this Regulation fail to match, the transmission system operator shall apply the provision of the minimum applied quantity of natural gas. After coordination of the quantity of natural gas with the neighbouring transmission system operator or the storage facility operator, or application of the provision of the minimum applied quantity of natural gas, a nomination shall be deemed to be approved, and the transmission system operator shall send a notification to the system user referred to in Paragraph 77 of this Regulation. The transmission system operator shall also inform the neighbouring transmission system operator or the storage facility operator of the approval of the nomination.

**XI. Conditions and Time Periods for the Submission and Approval of Nominations and Re-nominations**

75. The system user may submit a nomination for gas day D not later than by 15:00 (13:00 UTC in the winter time period and 12:00 in the summer time period) on the gas day D-1.

76. If the system user has concurrently nominated both the firm capacity and the interruptible capacity at a relevant entry or exit point, the transmission system operator shall evaluate the available capacity and authorise the amount of natural gas allocated to the system user within the framework of the reserved firm and interruptible capacity.

77. If the system user has submitted a nomination for gas day D within the time period specified in Paragraph 75 of this Regulation, the transmission system operator shall, not later than by the gas day D-1 at 17:00 (15:00 UTC in the winter time period and 14:00 in the summer time period) and in conformity with the standard communications protocol specified in Annex 4 to this Regulation, send a notification to the system user of the confirmed quantity of natural gas on the gas day D by indicating the following:

77.1. whether the nomination has been approved;

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

77.3. whether the quantity of natural gas indicated in the submitted nomination is reduced in the context of the performed coordination procedure of the quantity of natural gas on the initiative of the transmission system operator or the neighbouring transmission system operator.

78. Concurrently with sending the notification referred to in Paragraph 77 of this Regulation the transmission system operator shall register changes in the balancing portfolio of the system user in conformity with Chapter XIV of this Regulation.

79. The system user may submit a re-nomination in any re-nomination period which starts immediately after expiration of the time period for the confirmation of nomination and ends three hours prior to the end of gas day D.

80. During re-nomination period the system user has the right to adjust the approved nomination for both all hours of gas day D and the remaining hours of gas day D by complying with the following conditions:

80.1. the system user may adjust the approved nominations for all hours of gas day D from 17:00 (15:00 UTC in the winter time period and 14:00 UTC in the summer time period) on gas day D-1 to 5:00 (3:00 UTC in the winter time period and 2:00 UTC in the summer time period) on gas day D-1;

80.2. the system user may adjust the approved nominations for the remaining hours of gas day D from 05:00 (03:00 UTC in the winter time period and 02:00 UTC in the summer time period) on gas day D-1 to 04:00 (02:00 UTC in the winter time period and 01:00 UTC in the summer time period) on gas day D.

81. Upon receipt of re-nomination the transmission system operator shall, within two hours from the beginning of the re-nomination period specified in Sub-paragraphs 80.1 and 80.2 of this Regulation by using the standard communications protocol specified in Annex 4 to this Regulation, inform the system user of whether the submitted re-nomination has been confirmed, whether the quantity of natural gas has been reduced due to the coordination procedure, as well as whether the party to the transaction in the neighbouring transmission system has submitted a re-nomination.

82. If the system user has concurrently nominated the quantity of natural gas within the framework of both the firm capacity and interruptible capacity at a relevant entry or exit point and the quantity of natural gas indicated in the re-nomination is smaller than the initial nomination, the transmission system operator shall first reduce the nomination in the part which is related to the amount of the interruptible capacity allocated to the system user.

83. Changes in the nominated quantity of natural gas according to the re-nomination confirmed by the transmission system operator shall occur two hours (at the beginning of each hour) after beginning of the re-nomination period.

84. In the case of contractual congestion re-nomination of firm capacity shall conform to the following conditions:

84.1. the system user may re-nominate from 10 % to 90 % of the capacity which the system user has reserved;

84.2. if the nomination submitted by the system user exceeds 80 % of the capacity reserved by the system user, it is allowed to increase half of the non-nominated quantity of natural gas during re-nomination. If the nomination submitted by the system user does not exceed 20 % of the reserved capacity, it is allowed to reduce half of the nominated quantity of natural gas during re-nomination.

85. The transmission system operator has the right to reject a nomination or re-nomination by informing the system user thereof in conformity with the standard communications protocol specified in Annex 4 to this Regulation not later than two hours after expiration of the time period for the submission of nomination or beginning of the re-nomination cycle if:

85.1. the content of the nomination or re-nomination fails to conform to the requirements of Annex 4 to this Regulation;

85.2. the nomination or re-nomination has been submitted by a person who does not have the right to do it according to the agreement on the transmission system service;

85.3. the acceptance of the nomination and re-nomination of daily capacity results in a negative indicator of the indirect nominated flow;

85.4. the nomination or re-nomination exceeds the amount of capacity products allocated to the system user, except for the case where in the event of re-nomination it has been submitted to request an interruptible capacity product;

85.5. the acceptance of an hourly re-nomination results in expected change in the flow of natural gas prior to the end of the re-nomination period.

86. Indicator of the indirect nominated flow shall be calculated in conformity with the following formula:

|  |  |  |
| --- | --- | --- |
| P = R – | A × H | , |
| 24 |

where

P – flow indicator;

R – re-nomination quantity (kWh/d);

A – confirmed quantity (kWh/d);

H – hours which have passed in gas day D.

87. If the transmission system operator rejects a re-nomination, the transmission system operator shall use the last confirmed nomination or re-nomination of the system user, if any.

88. If the expected quantity of natural gas of the system user injected into the transmission system is not equal to the expected quantity of natural gas withdrawn from the transmission system, the transmission system operator shall not reject a nomination or re-nomination of the system user.

89. If the system user has submitted several nominations or re-nominations, the transmission system operator shall only examine the last nomination and re-nomination submitted in a timely manner for a specific time period at a relevant entry or exit point.

90. When examining whether a nomination and re-nomination have been submitted in a timely manner, the transmission system operator shall take into account the time of receipt of the nomination or re-nomination. If the system user does not receive a notification of the confirmed or rejected nomination or re-nomination in conformity with the standard communications protocol specified in Annex 4 to this Regulation within two hours from sending the nomination or re-nomination, the system user has an obligation to immediately inform the transmission system operator.

91. The transmission system operator may only adjust the quantity of natural gas indicated in a nomination or re-nomination of the system user in exceptional cases, provided that transmission of the quantity of natural gas specified in the nomination or re-nomination could cause safety hazard to the transmission system. The transmission system operator shall inform the system users of the adjustment of the quantity of natural gas indicated in a nomination and re-nomination not later than within one hour from the occurrence of the abovementioned circumstances in conformity with the standard communications protocol specified in Annex 4.

92. The transmission system operator shall first approve nominations and re-nominations of the quantities of natural gas within the framework of firm capacity.

93. If several system users have reserved interruptible capacity and the total quantity of natural gas indicated in nominations and re-nominations exceeds the available capacity, the transmission system operator shall interrupt the current interruptible capacities of the system users by taking into account the time of reservation of the relevant interruptible capacity and first interrupting capacity of the users who have been last to reserve the interruptible capacity.

94. The transmission system operator shall only accept a re-nomination from the system user at the entry points specified in Sub-paragraphs 5.1–5.3 and at the exit points specified in Sub-paragraphs 6.1–6.3 of this Regulation if the cooperation agreement concluded with the transmission system operator of a neighbouring country lays down the procedures for coordinating re-nominations. The transmission system operator shall publish on its website the information regarding a possibility to submit re-nominations at the entry and exit points specified in this Paragraph.

[*25 October 2018*]

**XII. Activities at the Virtual Point of Sale**

95. The system user shall make a transfer of natural gas to another system user at the virtual point of sale in accordance with a bilateral transaction. The transfer of quantity of natural gas may occur after injection of natural gas into the transmission system but prior to withdrawal thereof at a relevant exit point.

96. Transactions may be conducted at the virtual point of sale by the system users who have concluded the balancing agreement. The transfer of quantities of natural gas between the system users shall occur at the virtual point of sale according to nominations and re-nominations for the relevant gas day D which the system users involved in the transaction at the virtual point of sale submit to the transmission system operator in a coordinated manner in accordance with the procedures and within the time periods specified in Chapter XI of this Regulation.

97. The transmission system operator shall notify the parties involved in the transaction at the virtual point of sale of the receipt of nominations in conformity with the standard communications protocol specified in Annex 4 to this Regulation.

98. If the quantities indicated in the nominations of the system users involved in the transaction at the virtual point of sale match, the transmission system operator shall, not later than within two hours, send a confirmation to the system users in conformity with the standard communications protocol specified in Annex 4 to this Regulation, and register changes in the balancing portfolios of the system users in conformity with the conditions of Chapter XIII of this Regulation. The transmission system operator has, in accordance with Sub-paragraphs 85.1 and 85.2 of this Regulation, the right to reject nominations or re-nominations of the system users involved in the transaction at the virtual point of sale by informing the system user thereof in conformity with the standard communications protocol specified in Annex 4 to this Regulation.

99. If the quantities indicated in the nominations or re-nominations of the system users involved in the transaction at the virtual point of sale are not the same or they are submitted by only one of the parties involved in the transaction at the virtual point of sale, the transmission system operator shall apply the provision of the minimum applied quantity of natural gas.

**XIII. Procedures for Determining Allocation**

100. The transmission system operator shall determine an allocation for each gas day D for the system user at a specific entry or exit point.

101. Allocation to the system user at the entry points specified in Sub-paragraphs 5.1–5.3 and at the exit points specified in Sub-paragraphs 6.1–6.3 of this Regulation for a specific gas day D if the transmission system operators have concluded a technical balancing agreement shall be equal to the quantity of natural gas indicated in the last nomination or re-nomination of the system user for a specific gas day D at the relevant entry or exit point after coordination of the quantity of natural gas with the neighbouring transmission system operator.

102. Allocation to the system user shall be determined as follows at the entry points specified in Sub-paragraphs 5.1–5.3 and at the exit points specified in Sub-paragraphs 6.1–6.3 of this Regulation, unless the transmission system operators have concluded a technical balancing agreement:

102.1. the quantity of the natural gas allocated to the system user which is intended for injection or withdrawal in the reverse physical flow direction of natural gas is equal to the confirmed quantity in the reverse flow direction of natural gas;

102.2. the quantity of the natural gas allocated to the system user which has been injected or withdrawn in the direction of the physical flow of natural gas shall be determined according to the following formula:

|  |  |  |
| --- | --- | --- |
| Q = ( Qmēr + Qkop.pret.nom.) × | Q Liet.nom | , |
| Q nom.kopējais |

where

Q – allocation at an entry or exit point (kWh);

Q mēr– the measured amount of natural gas (kWh);

Q kop.pret.nom.– the confirmed amount of the total reverse flow (kWh);

Q Liet. nom.– the amount of natural gas confirmed in the flow direction for the system user in accordance with the nominations of the system user (kWh/d);

Q nom. kopējais– the total amount of natural gas in flow direction confirmed in the flow direction for all system users in accordance with the nominations (kWh/d).

103. Allocation to a system user at the entry point specified in Sub-paragraph 5.4 of this Regulation or at the exit point specified in Sub-paragraph 6.4 of this Regulation for a specific gas day D shall be equal to the quantity of natural gas confirmed for the system user in the last nomination or re-nomination for the relevant gas day D at the entry and exit points or to the adjustment of allocation submitted by the storage facility operator. The storage facility operator may submit adjustments for allocations of day D for a period which does not exceed two gas months.

[*25 October 2018*]

104. Allocation at the entry point specified in Sub-paragraph 5.5 and at the exit point specified in Sub-paragraph 6.5 of this Regulation shall be determined according to the measured quantity.

105. The transmission system operator shall calculate an allocation of the system user in the units of energy at the entry point specified in Sub-paragraph 5.1 of this Regulation and at the exit point specified in Sub-paragraph 6.1 of this Regulation by using the nomination provided by the system user and the actual quantity of the transmitted natural gas at the entry point specified in Sub-paragraph 5.1 and at the exit point specified in Sub-paragraph 6.1 of this Regulation.

[*25 October 2018*]

106. Allocation of the system user at the entry and exit points where allocation for gas day D shall be determined according to the measured quantity shall be equal to the measured quantity. If the allocation exceeds the reserved capacity product, the system user shall settle accounts with the transmission system operator for the used capacity which was not reserved as for a current daily capacity product.

[*4 September 2017*]

107. The transmission system operator shall determine an allocation to the system user for a specific gas day D at the exit point specified in Sub-paragraph 6.6 of this Regulation according to the information which the distribution system operator submits to the distribution system operator by taking into account the information submitted by the distribution system operator on the actual measured quantity of natural gas for the system user on a gas day D, or from the neighbouring transmission system operator in conformity with the cooperation agreement.

108. The distribution system operator shall be responsible for the data on the quantity of natural gas and energy measurements obtained in the distribution system.

109. The transmission system operator shall, not later than by the gas day D+1 at 14:00 (12:00 UTC in the winter time period and 11:00 UTC in the summer time period) in conformity with the standard communications protocol specified in Annex 4 to this Regulation, notify the system user of the allocation on the gas day D at the relevant entry and exit points.

110. In the case of damage to a meter for commercial accounting of natural gas which has been installed at the exit point specified in Sub-paragraph 6.5 of this Regulation, the transmission system operator shall ensure replacement of the meter for commercial accounting and adjustment of allocation by calculating the quantity of natural gas per day according to the average consumption of natural gas over the last three gas days D. The transmission system operator shall inform the system user and justify adjustment of data in conformity with the standard communications protocol specified in Annex 4 to this Regulation.

111. When determining damage to a meter for commercial accounting which has been installed at the exit point specified in Sub-paragraph 6.5 of this Regulation resulting from the failure of the system user to comply with the maximum permitted load, the transmission system operator shall conduct an inspection of the meter for commercial accounting. The system user shall cover the expenditure related to the inspection of the meter for commercial accounting.

112. If the system user determines damage to a meter for commercial accounting with remote (telemetric) data transmission, the system user shall inform the transmission system operator of the damage and immediately perform activities to restore telemetric data transmission.

113. The transmission system operator shall agree on the principles for inspection, telemetry, measuring data exchange of the accounting systems installed at the relevant entry and exit points with the distribution system operator, the storage facility operator and the neighbouring transmission system operators in the cooperation agreements.

**XIV. Balancing Provisions**

114. The system user shall ensure that during the balancing period the quantity of natural gas injected in his or her transmission system corresponds to the withdrawn quantity of natural gas. The system user shall perform all the necessary activities to prevent daily imbalance.

115. The transmission system operator shall perform technical balancing of the transmission system, if necessary, in conformity with the conditions for the performance of balancing activities specified in Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.

116. A legal relationship between the system user and the transmission system operator for the ensuring of balanced activities of the transmission system shall be established in the balancing agreement (Annex 3).

117. After conclusion of the balancing agreement, the transmission system operator shall arrange a balancing portfolio of the system user and assign an identification number of the balancing portfolio. The transmission system operator shall set up and maintain a system for balancing portfolios.

118. Balancing period shall be gas day D. Balancing zone shall be a zone of operation of the licence for the transmission of natural gas of the transmission system operator.

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

120. The transmission system operator shall make balancing calculations on the basis of the allocations of natural gas during the balancing period.

121. The system users may make a transfer of the quantity of natural gas which has already been registered in the balancing portfolio of one system user to another balancing portfolio via the virtual point of sale in conformity with Chapter XII of this Regulation.

121.1 The system user may, upon agreement with another system user, transfer its responsibility for balance to another system user, provided that both system users submit a relevant notification to the transmission system operator in conformity with the notification form published on the website of the transmission system operator. When accepting the responsibility for balance, the system user shall assume responsibility for imbalance of the system user transferring its responsibility for balance which has resulted after transfer of the responsibility for balance.

[*25 July 2019*]

121.2 The system users may submit a notification to the transmission system operator of the transfer of responsibility for balance by the 20th day of the calendar month. The transmission system operator shall electronically approve the responsibility for balance transferred and accepted by the system users. Starting from the first day of the next month, the transmission system operator shall bundle the balancing portfolio of the system user transferring the responsibility for balance with the balancing portfolio of the system user to whom the responsibility for balance is transferred.

[*25 July 2019*]

121.3 Any of the system users may refuse to transfer or accept responsibility for balance by submitting a relevant notification to the transmission system operator by the 20th day of the calendar month in conformity with the notification form published on the website of the transmission system operator. The transmission system operator shall electronically inform both system users of the discontinuation of the transferred and accepted responsibility for balance and unbundle balancing portfolios of the system users from the first day of the next month.

[*25 July 2019*]

122. On the basis of the allocation determined in accordance with the procedures laid down in Chapter XIII of this Regulation, after gas day D until gas day D+1 at 14:00 (12:00 in the winter time period and 11:00 in the summer time period) the transmission system operator shall, concurrently with the allocation, notify the system user of the imbalance quantity of gas day D in conformity with the standard communications protocol specified in Annex 4 to this Regulation.

123. The transmission system operator shall make an imbalance re-calculation upon receipt of the adjusted information from the distribution system operator or the neighbouring transmission system operator on allocations at the entry or exit points where the principle “allocated as measured” is applied to determine allocation. Imbalance re-calculation period shall not exceed two gas months.

124. If the sum of the quantities of natural gas of the system user injected into the transmission system on the gas day D is equal to the sum of the quantities of natural gas withdrawn from the transmission system on the gas day D, the system user shall have balance on this gas day D.

125. If the sum of the quantities of natural gas of the system user injected into the transmission system on the gas day D is not equal to the sum of the quantities of natural gas withdrawn from the transmission system on the gas day D, the system user shall have imbalance on this gas day D. The transmission system operator shall calculate the imbalance quantity of gas day D for the balancing portfolio of the system user as a difference between the quantity of natural gas injected into the transmission system and the quantity of natural gas withdrawn from the transmission system. The imbalance quantity of gas day D is positive if the sum of the quantities of natural gas injected by the system user on gas day D exceeds the sum of the quantities withdrawn on this gas day D. The imbalance quantity of gas day D is negative if the sum of the quantities of natural gas withdrawn by the system user on gas day D exceeds the sum of the quantities injected on this gas day D. A daily imbalance fee shall be determined for the system user in accordance with Paragraphs 130 and 131 of this Regulation.

[*4 September 2017*]

126. When determining the imbalance fee, it shall be considered that the transmission system operator sells the missing natural gas to the system user if the imbalance quantity is negative, and buys the remaining natural gas from the system user if the imbalance quantity is positive, thus ensuring balance between the quantity of natural gas injected into the transmission system of the system user and the quantity of natural gas withdrawn from the system.

[*4 September 2017*]

127. The natural gas purchase price for the calculation of the imbalance fee for gas day D shall be the highest of the following natural gas prices:

127.1. the natural gas price at which the transmission system operator has purchased natural gas from the natural gas traders selected in accordance with the procedures laid down in the Law on Procurement of Providers of Public Utilities or in the natural gas exchange in the trade area of Latvia in order to ensure technical balancing of the transmission system;

127.2. the weighted average price of natural gas of the relevant day in the natural gas exchange in the trade area of Latvia by adding an adjustment in the amount of three per cent;

127.3. if no transaction is conducted on the relevant day in the natural gas exchange in the trade area of Latvia, the natural gas price at which the transmission system operator offers to purchase natural gas from the natural gas traders selected in accordance with the procedures laid down in the Law on Procurement of Providers of Public Utilities shall be used in the calculation of the natural gas purchase price for gas day D to determine the imbalance fee.

[*25 October 2018*]

128. The natural gas sales price for the calculation of the imbalance fee for gas day D shall be the lowest of the following natural gas prices:

128.1. the natural gas price at which the transmission system operator has sold natural gas to the natural gas traders selected in accordance with the procedures laid down in the Law on Procurement of Providers of Public Utilities or in the natural gas exchange in the trade area of Latvia in order to ensure technical balancing of the transmission system;

128.2. the weighted average price of natural gas of the relevant day in the natural gas exchange in the trade area of Latvia by deducting an adjustment in the amount of three per cent;

128.3. if no transaction is conducted on the relevant day in the natural gas exchange in the trade area of Latvia, the natural gas price at which the transmission system operator offers to sell natural gas to the natural gas traders selected in accordance with the procedures laid down in the Law on Procurement of Providers of Public Utilities shall be used in the calculation of the natural gas sales price for gas day D to determine the imbalance fee.

[*25 October 2018*]

129. The transmission system operator shall, not later than by the 15th day of the following month, publish monthly balancing natural gas purchase and sales prices on its website.

[*25 October 2018*]

130. The daily imbalance fee for the system user shall be calculated as follows for the imbalance quantity of the system user during the balancing period:

Nm = Q x C

where

Nm – imbalance fee;

Q – imbalance quantity of natural gas (kWh);

C – natural gas purchase or sales price (EUR/kWh).

[*25 October 2018*]

131. [25 October 2018]

131.1 [25 October 2018]

132. If the system user abuses the balancing procedures for his or her own commercial purposes or to benefit, or the imbalance quantity achieves the amount of security for fulfilment of liabilities specified in Chapter XVIII of this Regulation, the transmission system operator is entitled to discontinue provision of the transmission system service or request the system user to increase the security for fulfilment of liabilities in order to ensure that the system user is able to fulfil liabilities of the balancing agreement.

**XV. Settlements for the Transmission System Services and Imbalance**

133. The system users shall settle accounts for the transmission system services within the time periods and in accordance with the procedures specified in the agreement on the transmission system service in conformity with the tariffs for the transmission system service which have been specified in accordance with the procedures laid down in the Energy Law.

134. The system users shall settle accounts for imbalance within the time periods and according to the procedures specified in the balancing agreement.

135. The transmission system operator shall issue to the system user an invoice for the transmission system service together with a summary of the transmitted quantity of natural gas for each reporting period (month) which has been prepared on the basis of the following:

135.1. the data provided by the distribution system operator with regard to the exit point specified in Sub-paragraph 6.6 of this Regulation;

135.2. the quantity of natural gas coordinated by the storage facility operator with regard to the entry point specified in Sub-paragraph 5.4 of this Regulation and the exit point specified in Sub-paragraph 6.4 of this Regulation;

135.3. the quantity of the transferred natural gas coordinated by the transmission system operator of a neighbouring country with regard to the entry and exit points specified in Sub-paragraphs 5.1, 5.2, 5.3, 6.1, 6.2, and 6.3 of this Regulation;

135.4. the accounting data with regard to the entry point specified in Sub-paragraph 5.5 and the exit point specified in Sub-paragraph 6.5 of this Regulation.

[*25 October 2018; 25 July 2019*]

**XVI. Natural Gas Accounting and Quality Control**

136. The transmission system operator shall publish on its website the places of acceptance-delivery of natural gas and determination of quality, as well as the technical standards and requirements used for the quality determination.

[*25 October 2018*]

137. The transmission system operator shall, in cooperation with the national transmission system operator of a neighbouring country, ensure the accounting of the transmitted natural gas at the entry and exit points of the transmission system and the natural gas accounting sites by regularly recording the quantity, pressure, and temperature of the transmitted natural gas.

138. The transmission system operator shall ensure that units of energy (kWh) are used in the accounting of natural gas and reports.

139. Energy value of the amount of natural gas in kilowatt hours (kWh) shall be determined by multiplying the volume of natural gas in cubic metres under standard conditions by the gross calorific value expressed in kWh/m3.

140. The transmission system operator shall account the following quantities of the transmission of natural gas at the entry and exit points in conformity to the volumes and units of energy determined for the accounting sites:

140.1. the quantity of natural gas transmitted per hour;

140.2. the maximum amount of natural gas transmitted per one hour of a day;

140.3. the quantity of natural gas transmitted per day that is expressed as the sum of quantities of natural gas transmitted during hours of the day;

140.4. the quantity of natural gas transmitted per calendar month that is expressed as the sum of quantity of natural gas transmitted during days of the calendar month;

140.5. the quantity of natural gas transmitted per calendar year that is expressed as the sum of quantity of natural gas transmitted during months of the calendar year.

141. Accounting of biogas and gas produced from biomass, as well as liquefied natural gas which has been turned into a gaseous state for injection into the transmission system and determination of quality shall be ensured at the respective entry point of the transmission system. The system user shall ensure accounting of natural gas and determination of quality at the entry points, while the transmission system operator – at the exit points. The system user who injects the gas referred to in this Paragraph into the transmission system shall ensure continued monitoring of physical and chemical indicators of the fuel gas by using certified measuring equipment, as well as collection of measurement data and constant remote access of the transmission system operator to this information.

142. Accounting of natural gas at the entry points specified in Sub-paragraphs 5.1–5.4 and at the exit points specified in Sub-paragraphs 6.1–6.4 of this Regulation shall be performed according to the cooperation agreements which the transmission system operator concludes with other national transmission system operators and storage facility operator.

143. Energy value of the quantity of natural gas per day at the entry point specified in Sub-paragraph 5.5 and at the exit point specified in Sub-paragraph 6.5 of this Regulation shall be determined on the basis of quality parameter measurements of natural gas or on the basis of the average gross calorific value per day which is used to determine quantity and quality of natural gas.

144. The transmission system operator shall determine gross calorific value at the entry point specified in Sub-paragraph 5.5 and at the exit point specified in Sub-paragraph 6.5 of this Regulation each day on the basis of calculations or readings of meters for commercial accounting.

145. The quantity of natural gas energy injected per day at the entry point specified in Sub-paragraph 5.5 of this Regulation shall be calculated by multiplying the quantity of natural gas measured by a commercial meter by the average gross calorific value determined at the entry point referred to in Sub-paragraph 5.5. The quantity of natural gas energy withdrawn per day at the exit point specified in Sub-paragraph 6.5 of this Regulation shall be calculated by multiplying the quantity of natural gas measured by means of a meter for commercial accounting by the average gross calorific value determined at the exit point referred to in Sub-paragraph 6.5.

[*25 July 2019*]

146. If natural gas is injected at the entry point specified in Sub-paragraph 5.5 of this Regulation or withdrawn at the exit point specified in Sub-paragraph 6.5 of this Regulation:

146.1. the connection agreement shall determine the maximum permissible flow of natural gas under standard conditions, the minimum permissible flow of natural gas under standard conditions and pressure of natural gas at a specific natural gas exit point of the system user;

146.2. the flow of natural gas may not exceed the permissible measurements limits of the installed meter for commercial accounting (exceed the maximum permissible flow of natural gas under standard conditions and be smaller than the minimum permissible flow of natural gas under standard conditions);

146.3. the transmission system operator shall ensure conformity of a meter for commercial accounting with the requirements laid down in the laws and regulations regarding metrological requirements for measuring instruments, as well as laws and regulations regarding procedures for approving, initial verification and market surveillance of measuring instruments; a place where a meter for commercial accounting is connected shall be sealed with a seal of the transmission system operator;

146.4. if due to the fault of the system user the flow of natural gas to be used fails to reach the minimum permissible flow of natural gas under standard conditions, the flow of natural gas shall be calculated by taking into account the minimum permissible flow of natural gas under standard conditions specified in a connection agreement;

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

**XVII. Discontinuation or Restriction of the Provision of Transmission System Service**

147. The transmission system operator has the right to, without prior notice, restrict or discontinue injection of natural gas into the transmission system, transportation and withdrawal thereof from the transmission system in the following cases:

147.1. the natural gas supply system of the system user connected directly to the transmission system poses danger to human life, health, or property;

147.2. the pressure of the flow of natural gas to be injected into the transmission system fails to conform to the requirements specified in a cooperation agreement or a connection agreement of the natural gas supply system operators;

147.3. an emergency has occurred or an emergency situation has developed in the transmission system;

147.4. an energy crisis has been declared in accordance with the Energy Law;

147.5. there are damages in the transmission system, the natural gas distribution system of Latvia or in the storage facility that may cause an emergency or accidents in the transmission system;

147.6. there are deviations from normal operational mode in the transmission system, in the natural gas distribution system of Latvia or in the storage facility, or there are damages in the transmission system, in the natural gas distribution system of Latvia or in the storage facility, and the neighbouring transmission system operator, the distribution system operator, or the storage facility operator has asked to immediately discontinue the transportation of natural gas to or from the relevant system;

147.7. the injection of natural gas at the entry points specified in Sub-paragraphs 5.1–5.3 of this Regulation is discontinued or restricted for reasons beyond control of the transmission system operator, and the transmission system operator does not have sufficient natural gas reserves;

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

147.9. it is necessary to perform urgent repair works in order to prevent an emergency situation in the transmission system or in the storage facility;

147.10. quality characteristics of the gas to be injected into the transmission system fail to conform to the quality requirements of natural gas laid down in accordance with the laws and regulations regarding requirements for the injection and transportation of biomethane and liquefied natural gas which has been turned into a gaseous state in the natural gas transmission and distribution systems.

148. If transportation of natural gas is restricted or discontinued in the cases referred to in Paragraph 147 of this Regulation, the transmission system operator has an obligation to, not later than 24 hours after restriction or discontinuation of the natural gas transmission system service, publish information thereof on its website and inform the system users according to the procedures specified in the agreement on the transmission system service.

[*25 October 2018*]

149. Upon at least five-day-advance notice to the system user, the transmission system operator has the right to restrict or discontinue injection of natural gas into the transmission system, transportation and withdrawal thereof from the transmission system in the following cases:

149.1. the system user poses a threat to the operation and security of the transmission system or adversely affect the quality of natural gas by his or her activity or inactivity;

149.2. the user of the system prohibits the transmission system operator, the distribution system operator or employees servicing the natural gas accounting system from access to the territory or premises where the transmission system is located in order to install, monitor or change the accounting equipment of natural gas or record readings thereof;

149.3. in other cases specified in laws and regulations, and the agreement regarding transmission system service.

150. If any circumstances have been determined that give evidence of the possibility of occurrence of an emergency situation in the transmission system, the transmission system operator has the right to prohibit or restrict the use of the transmission system capacities by the users of the system.

151. The transmission system operator shall, not later than 30 days in advance, publish on its website the information regarding the planned maintenance, repair, connection, disconnection, or disassembling works in the transmission system, and inform the system users according to the procedures specified in the agreement on the transmission system service.

[*25 October 2018*]

152. The transmission system operator shall not compensate the system users for the losses incurred in the cases referred to in Paragraphs 147, 149, and 150 of this Regulation.

**XVIII. Security for Fulfilment of Liabilities**

153. The transmission system operator shall evaluate the information specified in Sub-paragraph 13.5 of this Regulation to determine the need to request the system user to provide a security for the fulfilment of liabilities (a security deposit, a guarantee of a financial services provider or a guarantee of a related merchant who corresponds to the criteria specified in Paragraph 156 of this Regulation) before conclusion of the agreement on the transmission system service and the balancing agreement or during duration thereof.

[*25 October 2018*]

154. After the first full calendar year from conclusion of the agreement on the transmission system service the system user shall, not less than once a year, submit to the transmission system operator updated information regarding credit rating of the system user. The system user has an obligation to immediately inform the transmission system operator of any changes in the credit rating of the system user. The transmission system operator is entitled to request the system user to submit updated information regarding credit rating of the system user.

[*25 October 2018*]

155. Prior to conclusion of the agreement on the transmission system service and the balancing agreement, or during duration of the agreement on the transmission system service and the balancing agreement the transmission system operator is entitled to request the system user to provide a security for fulfilment of liabilities (a security deposit, a guarantee of a financial services provider, or a guarantee of a related merchant who corresponds to the criteria specified in Paragraph 156 of this Regulation) to cover the payment claims arising from the agreement on the transmission system service and the balancing agreement if:

155.1. the transmission system operator has grounds to believe that the system user is wholly or partly unable to cover the liabilities arising from the agreement on the transmission system service or the balancing agreement;

155.2. an insolvency procedure or liquidation proceedings have been initiated for the system user;

155.3. according to the criteria specified in Paragraph 156 of this Regulation, the system user does not have an appropriate credit rating;

155.4. the system user has delayed payments specified in the agreement on the transmission system service or the agreement on the balancing service at least twice over 12 months.

[*25 October 2018*]

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

156.1. Standard & Poor’s long-term rating is BBB- or higher;

156.2. Fitch Ratings’ long-term rating is BBB- or higher;

156.3. Moody’s long-term rating is Baa3 or higher;

156.4. Creditreform rating for risk class II or higher, or an equivalent rating of another generally known credit agency or rating agency and an amount of credit determined in a rating statement issued to the system user shall be equivalent to or exceed the amount of security for the fulfilment of liabilities specified in Paragraph 162 of this Regulation.

[*25 July 2019*]

157. If the system user does not agree with the findings of the transmission system operator of the non-compliance of the system user with the credit rating, the system user may, within five working days, submit appropriate evidence of his or her creditworthiness to the transmission system operator.

[*25 October 2018*]

158. The system user may choose one or more types of security for the fulfilment of liabilities (a security deposit, a guarantee of a financial services provider, or a guarantee of a related merchant whose credit rating corresponds to the criteria specified in Paragraph 156 of this Regulation).

[*25 July 2019*]

159. The system user shall submit a security for the fulfilment of liabilities to the transmission system operator within seven working days from the day of receipt of the relevant request.

160. The transmission system operator shall recognise the guarantee as a proper security for the fulfilment of liabilities if the guarantee is first demand and irrevocable and conforms to the following conditions:

160.1. the guarantee has been issued by a financial services provider who or whose group has at least Baa1 credit rating according to Moody’s agency or BBB+ in accordance with Standard & Poor’s agency, or BBB+ according Fitch Ratings agency for long-term foreign currency loans. If at least one of the credit rating agencies indicated in this Paragraph has granted a long-term loan to the financial services provider or its group, it shall be deemed that the guarantee issued by such financial services provider or group thereof is appropriate;

160.2. the guarantee has been issued by a related merchant whose credit rating conforms to Paragraph 156 of this Regulation.

[*25 July 2019*]

161. A security for the fulfilment of liabilities must be in force during the entire duration of the agreement on the transmission system service and the balancing agreement if the transmission system operator has requested the system user to provide a security for fulfilment of liabilities.

[*25 October 2018*]

162. The transmission system operator shall determine an amount of the security for the fulfilment of the liabilities with regard to the fulfilment of liabilities of the agreement on the transmission system service and the agreement on the balancing service in double amount of the average monthly payment by the system user for capacity over the last 12 months. If the period of use of the transmission system is shorter than 12 months, this period shall be used as the grounds for the determination of an amount for the fulfilment of liabilities, but amount of the security for the fulfilment of liabilities shall not be less than EUR 25 000 (twenty-five thousand euros).

[*25 October 2018*]

163. If liabilities of the system user within the framework of the agreement on the transmission system service or the balancing agreement exceed the sum for which the security for the fulfilment of liabilities has been issued, the transmission system operator has the right to request the system user to increase the amount of the security for the fulfilment of liabilities and submit a new security for the fulfilment of liabilities to the transmission system operator within seven working days which conforms to the conditions of this Chapter.

164. If the system user fails to restore the security for the fulfilment of liabilities or to increase the amount thereof within 20 working days from the moment when the security for the fulfilment of liabilities does not conform to the conditions of this Chapter, the transmission system operator has the right to discontinue provision of transmission system service accordance to the procedures specified in the agreement on the transmission system service until the moment the system user submits a new security for the fulfilment of liabilities or increases amount of the existing security for the fulfilment of liabilities conforming to the provisions of this Chapter. During discontinuation period of the provision of service the transmission system operator has the right to allocate the capacity reserved by the system user in the transmission system to another system user as unused capacity.

165. Upon termination of the agreement on the transmission system service or the balancing agreement, the transmission system operator shall, within five working days, refund to the system user the sum of security for the fulfilment of liabilities which is not used to extinguish the unfulfilled liabilities of the system user or return the original of the guarantee of the financial services provider or of the related merchant whose credit rating corresponds to the criteria specified in Paragraph 156 of this Regulation submitted by the user.

[*25 October 2018*]

**XIX. Closing Provisions**

166. Decision No. 1/12 of the Board of the Public Utilities Commission of 10 September 2015, Regulations Regarding the Use of Natural Gas Transmission System of the Joint Stock Company “Latvijas Gāze” (*Latvijas Vēstnesis*, 2015, No. 180), is repealed.

167. Submission and approval of nominations and re-nominations in accordance with provisions of Chapter XI of this Regulation shall be commenced from 30 April 2017.

168. Until the conclusion of a procurement contract for the performance of the activities referred to in Paragraph 115 of this Regulation, the transmission system operator shall purchase natural gas from a natural gas trader with whom the transmission system operator has a relevant valid agreement as at 31 March 2017 for the purpose of ensuring technical operation of the transmission system. The transmission system operator shall open public procurement for the performance of the activities referred to in Paragraph 115 of this Regulation within two months from the day of coming into force of this Regulation.

169. Paragraph 131 of this Regulation shall come into force on 1 November 2017. Until 31 October 2017 the imbalance fee shall be calculated in accordance with Paragraph 130 of this Regulation, irrespective of the amount of imbalance.

170. Until the moment of coming into force of the tariffs for the natural gas transmission system service which are calculated in accordance with the Decision No. 1/29 of the Public Utilities Commission of 28 November 2016, Methodology for the Calculation of the Tariffs for the Natural gas Transmission System Service:

170.1. the fee for the reservation of capacity at the entry points referred to in Sub-paragraphs 5.1–5.4 complies with the base tariff for the cross-border transmission system service which has been approved in accordance with the Decision No. 247 of the Public Utilities Commission of 24 July 2008, Regarding Natural Gas Supply Tariffs of the Joint Stock Company “Latvijas Gāze”, multiplied by the length of pipelines of the transmission system in the cross-border transmission system from the specific entry point to the middle point of the cross-border transmission system;

170.2. the fee for reservation of capacity at the exit points referred to in Sub-paragraphs 6.1–6.4 complies with the base tariff for the cross-border transmission system service which has been approved in accordance with the Decision No. 247 of the Public Utilities Commission of 24 July 2008, Regarding Natural Gas Supply Tariffs of the Joint Stock Company “Latvijas Gāze”, multiplied by the length of pipelines of the transmission system in the cross-border transmission system from the middle point of the cross-border transmission system to the specific exit point;

170.3. the fee for the use of the exit points specified in Sub-paragraphs 6.5 and 6.6 of this Regulation conforms to the base tariff for the transmission system service for the supply of users in Latvia which has been approved in accordance with the Decision No. 247 of the Public Utilities Commission of 24 July 2008, Regarding Natural Gas Supply Tariffs of the Joint Stock Company “Latvijas Gāze”.

171. The transmission system operator shall, on the day following coming into force of this Regulation, publish on its website the length of pipelines of the transmission system from the middle point of the cross-border transmission system to the entry and exit points laid down in Sub-paragraphs 5.1–5.4 and 6.1–6.4 of this Regulation.

[*25 October 2018*]

172. The transmission system operator shall, in accordance with this Regulation, evaluate applications of applicants to acquire the rights to use the transmission system submitted to the transmission system operator by the day of coming into force of this Regulation.

173. The system users who have a valid agreement on the transmission system service and a balancing agreement with the transmission system operator as at 31 March 2017 and who wish to continue receiving the transmission system service, have an obligation to submit to the transmission system operator the application and documents specified in Paragraph 13 of this Regulation by 20 May 2017. Until the conclusion of a new agreement on the transmission system service and a balancing agreement, the transmission system operator and the system user shall comply with the provisions of the agreement on the transmission system service and the balancing agreement in effect on 31 March 2017, insofar as they are not in contradiction with this Regulation.

173.1 If until the day of coming into force of Sub-paragraph 7.2 of Annex 3 to this Regulation the system user has an imbalance difference of balancing portfolio and the imbalance difference is positive, the system user shall include the entire total positive quantity of imbalance in the first invoice issued and sent to the transmission system operator.

[*4 September 2017*]

173.2 This Regulation shall not be applicable if the regulator has, upon agreement with the regulatory bodies of the relevant European Union Member States, coordinated the provisions laid down in Section 117, Paragraph three, Clauses 1 and 2 of the Energy Law.

[*28 October 2019*]

174. This Regulation shall come into force on the day following the publication thereof in the official gazette *Latvijas Vēstnesis*.

Chair of the Board of the Public Utilities Commission R. Irklis

**Annex 1**

Decision No. 1/16 of the Public Utilities Commission

13 April 2017

[*25 October 2018*]

**Application to Acquire the Rights to Use the Natural Gas Transmission System**

|  |  |  |  |
| --- | --- | --- | --- |
| \_\_\_\_\_\_\_\_\_\_\_ 201\_ |  |  |  |
|  |  |  | /Place of drafting/ |
| No. |  |  |  |

|  |  |
| --- | --- |
| Addressee: | Transmission system operator \_\_\_\_\_\_\_\_\_, unified registration number, legal address |
|  |  |
| Applicant: |   |  |
|  | EIC\*: |
|  | Legal address: |
|  | Telephone number: |
|  | E-mail address: |
|  | Fax number: |
|  | Bank details: |
|  | Registration number of the VAT payer: |

Note

\* Shall be indicated if the EIC has been allocated to the applicant.

I hereby request to grant me the rights to use the natural gas transmission system and conclude an agreement on the transmission system service in conformity with the regulations regarding the use of natural gas transmission system.

**Information regarding the representative:**

|  |  |  |  |
| --- | --- | --- | --- |
| A person(s) who has(ve) the right to represent the applicant and conclude the agreement on the transmission system service | Given name, surname | Position | Telephone number, e-mail, fax number |
| Contact details which can be used by the transmission system operator to communicate with the system user at all hours of the day | Tel. No. | E-mail |

**Documents attached**

|  |  |  |
| --- | --- | --- |
| 1. |  | A document attesting that the applicant has registered the commercial activity in accordance with the laws and regulations of the relevant country. |
|  |  | \* |  |
| 2. |  | A document attesting to the representation if the application is signed by a person who is not a member of an administration body of the applicant. |
|  |  | \* |  |
| 3. |  | A document attesting that an insolvency procedure of the applicant has not been announced, the economic activity of the applicant is not suspended or the applicant is not liquidated. |
|  |  | \* |  |
| 4. |  | An annual report on the last three years (or the actual time of operation, taking into account the time when the applicant was established or the operation was commenced regarding which the annual report has to be submitted) or another equivalent document attesting the economic and financial situation of the applicant in accordance with the laws and regulations of the relevant country. |
|  |  | \* |  |
| 5. |  | Information regarding the credit raking of the applicant granted by a known credit agency or rating agency. |
|  |  | \* |  |

(mark with an “x” as appropriate)

\*If the document is available in an official gazette or a State public register, the website shall be indicated.

The applicant attests that he or she has got acquainted with the Regulations Regarding the Use of Natural Gas Transmission System.

The applicant attests that he or she undertakes to submit a security for fulfilment of liabilities (a security deposit, a guarantee of a financial services provider, or a guarantee of a related merchant whose credit rating corresponds to the criteria specified in Paragraph 156 of the Regulations Regarding the Use of Natural Gas Transmission System) upon request of the transmission system operator.

**Contact information of a person submitting the application**

|  |  |  |  |
| --- | --- | --- | --- |
| (given name, surname) | (signature) | (position) | (telephone number, e-mail, fax number) |

Acceptance of an application (to be filled in by the transmission system operator)

Registration date

Registration number

Chair of the Board of the Public Utilities Commission R. Irklis

**Annex 2**

Decision No. 1/16 of the Public Utilities Commission

13 April 2017

[*4 September 2017; 25 October 2018*]

**Agreement on the Transmission System Services No.**

|  |  |  |
| --- | --- | --- |
| Riga |  201\_\_ |  |

 (unified registration No.  ), hereinafter – the **Transmission System Operator**, herein represented by under the Articles of Association/commercial power of attorney, and name of the merchant (unified registration No.  ), hereinafter – the **System User**, herein represented by under the basis of representation , hereinafter jointly referred to as the Parties, and each individually as the Party, on the basis of the application to acquire the rights to use the transmission system submitted by the System User to the Transmission System Operator on 201\_\_, enter into the following agreement, hereinafter – the Agreement:

**1. Terms Used in the Agreement**

The terms in this Agreement are used within the meaning of the Energy Law, and the Regulations Regarding the Use of Natural Gas Transmission System (hereinafter – the Regulations Regarding the Use of Transmission System).

**2. Subject-Matter of the Agreement**

2.1. During duration of the Agreement the Transmission System Operator shall undertake to perform transmission of the natural gas in the ownership (holding, possession) of the System User in conformity with the applications of the System User for the reservation of the transmission system capacity of the relevant time period, and the nominations and re-nominations submitted by the System User of the quantity of natural gas which the System User wishes to inject into or withdrawal from the transmission system.

2.2. Upon conclusion of the Agreement the System User shall acquire the rights to use the transmission system owned by the Transmission System Operator, including to make reservation of capacity of the relevant time period, submit nominations and re-nominations and perform other activities provided for in the Regulations Regarding the Use of Transmission System.

**3. Conditions for the Provision of Transmission System Services**

3.1. The transmission system services shall be provided in accordance with the procedures and within the time periods laid down in the Regulations Regarding the Use of Transmission System.

3.2. During duration of the Agreement the time period for the performance of each transmission system service which the System User wishes to receive in conformity with the application for the reservation of system capacity of a specific time period shall expire with the execution of the relevant nomination.

3.3. The rights and obligations of the Parties shall be laid down in the Regulations Regarding the Use of Transmission System.

**4. Security for Fulfilment of Liabilities**

4.1. The System User shall, upon request of the Transmission System Operator and in accordance with the Regulations Regarding the Use of Transmission System, submit to the Transmission System Operator a security for the fulfilment of liabilities (make a security deposit or submit an original of the guarantee of a financial services provider or an original of the guarantee of a related merchant whose credit rating corresponds to the criteria specified in Paragraph 156 of the Regulations Regarding the Use of Transmission System).

4.2. Upon termination of the Agreement the Transmission System Operator has an obligation to, within five working days, refund to the System User the sum of security for the fulfilment of liabilities which has not been used to extinguish the unfulfilled liabilities of the System User or transfer to the System User the original of the submitted guarantee of the financial services provider or of the related merchant whose credit rating corresponds to the criteria specified in Paragraph 156 of the Regulations Regarding the Use of Transmission Services.

**5. Fee for Transmission System Services**

5.1. The System User shall settle accounts for the transmission system services in conformity with the tariffs for the transmission system services which have been laid down in accordance with the procedures laid down in the Energy Law.

5.2. Taxes shall be applied in accordance with the laws and regulations of the Republic of Latvia.

5.3. The Transmission System Operator shall, by the 15th day of each month, send an invoice to the System User on the transmission system services provided in the previous month.

5.4. The Transmission System Operator shall send an invoice to the electronic mail address of the System User indicated in the Agreement. The invoice shall be valid without signature and it shall be replaced with authorisation or signed with a safe electronic signature. The invoice shall be deemed received on the day of sending thereof.

5.5. The System User shall settle accounts for the transmission system services received in a calendar month by the 20th day of the following calendar month.

5.6. If the last day for the payment of the invoice is a non-business day or a public holiday specified in the Republic of Latvia, the last day for the payment of the invoice shall be deemed the following working day.

5.7. All payments shall be made in euros to the account of the Transmission System Operator indicated in the Agreement.

5.8. The day, when the money is transferred into the current account of the Transmission System Operator, shall be deemed as the payment date.

5.9. If the System User fails to pay for the transmission system services provided in the reporting period within the time period specified in Paragraph 5.5 of the Agreement, the Transmission System Operator shall calculate default interest for the System User amounting to 0.15 % of the outstanding amount for each day of delay. The Transmission System Operator shall calculate default interest once a month and indicate it together with other information in the invoice for the transmission system services provided in the previous month.

5.10. If the Transmission System Operator determines a different quantity of natural gas transferred in the reporting period in comparison with that registered before, and for this reason it is should specify the invoice issued to the System User for the provided transmission system services in the relevant reporting period, the Transmission System Operator shall, with regard to the determined and calculated difference:

5.10.1. issue a separate invoice which the System User has an obligation to pay within seven calendar days from the day of sending the invoice;

5.10.2. or reduce the amount of the next invoice of the System User.

5.11. The Transmission System Operator is entitled to make the re-calculation referred to in Paragraph 5.10 of the Agreement for a period which does not exceed three months.

5.12. All the received payments shall be used in the following order, irrespective of what is indicated in the payment documents of the System User: 1) default interest; 2) debt for the previous reporting period; 3) current payments.

5.13. If the System User fails to settle accounts for the transmission system services according the procedures and within the time period specified in the Agreement within 10 working days after the Transmission System Operator has sent a relevant notification, the Transmission System Operator is entitled to use the security for fulfilment of liabilities in the amount of the outstanding amount and calculated default interest. In this case the System User has an obligation to, within 20 working days after use of the security for the fulfilment of liabilities, submit a new security for the fulfilment of liabilities to the Transmission System Operator which complies with the conditions of the Regulations Regarding the Use of Transmission System.

5.14. If the System User fails to fulfil the obligation specified in Paragraph 5.13 of the Agreement, the Transmission System Operator has the right to discontinue provision of the transmission system services until the moment the System User fulfils the obligation specified in Paragraph 5.13 of the Agreement.

5.15. Discontinuation of the provision of transmission system services shall not affect the calculation of the default interest specified in the Agreement and the obligation of the System User to pay it.

5.16. If the Transmission System Operator fails to ensure provision of the transmission system services within the time periods specified in the Regulations Regarding the Use of Transmission System, the Transmission System Operator shall pay the System User a contractual penalty in the amount of 0.15 % of the sum of the transmission system services not provided in a timely manner for each day of delay. The Transmission System Operator shall not pay the contractual penalty if the transmission system services are not provided to the System User in accordance with Paragraph 8 of the Agreement.

5.17. Termination of the Agreement shall not release the Parties from the fulfilment of financial obligations which have arisen during the duration of the Agreement.

**6. Natural Gas Accounting and Quality**

6.1. The Transmission System Operator shall prepare a summary of the quantity of natural gas transferred in the transmission system for each reporting period in accordance with the data provided by the natural gas distribution system operator or in accordance with the commercial accounting data of a gasified object of the System User connected directly to the transmission system, and submit it to the System User together with an invoice for the transmission system services.

6.2. Natural gas accounting and quality control shall be performed in conformity with the Regulations Regarding the Use of Transmission System.

6.3. If the quality of natural gas fails to comply with the requirements laid down in the Regulations Regarding the Use of Transmission System, the Transmission System Operator may refuse to inject such natural gas into the transmission system and discontinue provision of the transmission system services. In this case the Transmission System Operator does not have an obligation to compensate the System User for the possible losses caused as a result of the discontinuation of the transmission system services, while the responsibility of the System User for balance still remains.

6.4. In the case referred to in Paragraph 6.3 of the Agreement the fee for the transmission system services shall be calculated by reducing it in proportion to the time period when the provision of the transmission system services was discontinued.

**7. Responsibility of the Parties**

7.1. The Parties shall be responsible for fulfilment of the terms and conditions of this Agreement. The Parties shall compensate losses arising to the other Party, if the guilty Party fails to fulfil or fulfils the terms and conditions of the Agreement inadequately.

7.2. The Party shall not be liable for the losses caused by the other Party to third parties (end users, neighbouring transmission system operator).

7.3. The Party which has properly fulfilled its liabilities of the Agreement is entitled to request the other Party to fulfil its liabilities in full.

7.4. The Parties shall be excluded from the liability for failing to fulfil or for fulfilling the Agreement in poor quality, if it has occurred due to force majeure circumstances specified in the Agreement.

7.5. The System User shall execute all procedures (including customs procedures) provided for in laws and regulations with regard to natural gas circulation, and submit copies of the documents certifying performance of customs procedures to the storage facility operator within three working days after completion of the customs procedures.

**8. Discontinuation or Restriction of the Transmission System Services**

The Transmission System Operator is entitled to discontinue or restrict provision of the transmission system services in the cases and in accordance with the procedures laid down in the Regulations Regarding the Use of Transmission System and the Agreement.

**9. Applicable Legal Norms and Settlement of Disputes**

9.1. The Agreement has been prepared, and a legal relationship arising from the Agreement shall be governed, fulfilled, and interpreted in accordance with the laws and regulations in force in the Republic of Latvia.

9.2. All disputes and disagreements (hereinafter referred to in this Paragraph as – Dispute) between the Parties are settled by mutual negotiations. In case of a Dispute, the Party, referring to the existence of a Dispute, shall submit to the other Party a written notice, specifying the description of the Dispute, offered solution of the Dispute and persons who are authorised to conduct negotiations with regard to the Dispute on behalf of the Party.

9.3. If the Parties fail to settle the Dispute by mutual negotiations within 30 days (unless the authorised representatives of the Parties have agreed on other time period for the settlement of the Dispute) from the day of occurrence thereof, the Dispute shall be settled in accordance with the procedures laid down in the laws and regulations in force in the Republic of Latvia.

**10. Force Majeure**

10.1. The Parties shall not be responsible for complete or partial non-fulfilment of liabilities of the Agreement if such a non-fulfilment has occurred due to force majeure circumstances. Within the meaning of this Paragraph force majeure circumstance is an obstacle arising beyond control of the affected Party, making it difficult for the Party to fulfil its liabilities specified in the Agreement and which the Party is not able to prevent. The following circumstances shall be primarily deemed as such: disasters, fire, earthquake, and other natural calamities, war activities, and also economic sanctions, embargo, instructions and orders of courts, administrative and state authorities or any other circumstances, which could not be predicted by the Parties during the conclusion of this Agreement.

10.2. Also certain obstacles for fulfilment of this Agreement, arising during the time when the Party, failing to fulfil the liabilities of this Agreement, was late in the fulfilment of its liabilities of this Agreement, shall not be deemed as force majeure circumstances.

10.3. If force majeure circumstances last for more than 30 calendar days, the Parties shall commence negotiations regarding acceptable solution for fulfilment of liabilities of the Agreement. In such event, termination of the Agreement is possible only by mutual agreement of the Parties.

10.4. The Parties shall, without delay, inform each other regarding the force majeure circumstances. If the Parties fail to inform regarding the force majeure circumstances, the Parties may not use them as a justification for non-fulfilment of the Agreement.

10.5. Upon termination of force majeure circumstances, the Parties shall, without delay, fulfil obligations that were performed until the moment the force majeure circumstances occurred, unless the Parties have agreed otherwise.

**11. Duration of the Agreement, Making Amendments, Termination of the Agreement**

11.1. The Agreement shall enter into effect when both Parties have signed it, and remain in effect for an indefinite period of time.

11.2. Amendments and supplementations to the Agreement may be made upon agreement between the Parties. All amendments and supplementations shall be made in writing and they shall enter into effect only when both Parties have signed them.

11.3. The Agreement may be terminated upon written agreement of the Parties or in the case referred to in Paragraph 11.4. of the Agreement.

11.4. Any of the Parties may unilaterally terminate the Agreement, if the other Party fails to fulfil or inadequately fulfils its liabilities specified in the Agreement for more than 30 calendar days. In such case the Party, wishing to terminate the Agreement on such grounds, shall notify the other Party thereof in writing, indicating the reason for termination of the Agreement, no later than 30 calendar days prior to the termination of the Agreement. The Agreement shall be deemed as terminated on the day indicated in the notice.

11.5. The System User may unilaterally terminate the Agreement by taking into account the following conditions:

11.5.1. if the time period for the provision of transmission system service is a gas quarter or less, the System User may terminate the Agreement at any time by informing the Transmission System Operator thereof in writing at least 10 working days in advance and paying the Transmission System Operator in full for the transmission system services until the end of the use of the transmission system capacity indicated in the approved capacity nomination of a relevant period;

11.5.2. if the time period for the provision of transmission system service is a gas year or more, the System User may terminate the Agreement at any time by informing the Transmission System Operator thereof in writing at least 10 working days in advance and paying the Transmission System Operator in the amount of 95 % for the transmission system services until the end of the use of the transmission system capacity indicated in the approved capacity nomination of a relevant period.

**12. Exchange of Information**

12.1. Upon conclusion of the Agreement the Parties shall undertake to conform to the time periods and methods of communication specified in the Regulations Regarding the Use of Transmission System.

12.2. The activities specified in the Regulations Regarding the Use of Transmission System (reservation of capacities, submission of nominations, re-nominations, etc.) may only be performed by the persons to whom the System User has granted such rights.

12.3. Exchange of information between the Transmission System Operator and the System User shall take place electronically by sending information to the electronic mail addresses indicated by the Parties in the Agreement.

12.4. All the information which has become known to the Parties in relation to the conclusion of the Agreement and fulfilment of liabilities specified in the Agreement shall constitute a business secret and may not be disclosed to third parties without receipt of prior written consent from authorised representatives of the Parties, except for the information the disclosure of which is provided for in the Regulations Regarding the Use of Transmission System or other laws and regulations.

12.5. Information related to the fulfilment of liabilities specified in the Agreement shall be provided by the Transmission System Operator to other natural gas supply system operators, insofar it is necessary for proper compliance with the Regulations Regarding the Use of Transmission System and the Agreement.

12.6. Termination of the Agreement shall not cease the obligation of the Parties in respect of non-disclosure of the business secret.

**13. Other Provisions**

13.1. The Parties are not entitled to transfer or delegate any of their obligations under the Agreement to any third party without prior written consent of the other Party.

13.2. If separate paragraphs of the Agreement lose their effect, it shall not serve as the grounds for cancellation of other paragraphs of the Agreement.

13.3. The Parties shall, within three working days from the conclusion of this Agreement, notify each other of the authorised persons for the fulfilment of the obligations provided for in this Agreement and contact details thereof, as well as immediately inform of any changes in this information during duration of the Agreement.

13.4. The Agreement has been prepared in Latvian on \_\_\_ (\_\_\_\_\_\_\_) pages and signed in two copies one of which shall be stored with the System User and the other – with the Transmission System Operator. Both counterparts of the Agreement have the same legal effect.

**14. Details of the Parties**

|  |  |  |
| --- | --- | --- |
| **Transmission System Operator:** |  | **The User of the System:** |
|  |  |  |  |  |
| Registration No.  |  |  | Registration No.  |  |
| VAT registration No. |  |  | VAT registration No. |  |
| Legal address: |  |  | Legal address: |  |
| Tel.  |  |  | Tel.  |  |
| Fax:  |  |  | Fax:  |  |
| E-mail:  |  |  | E-mail:  |  |
| Bank details:  |  |  | Bank details:  |  |

Chair of the Board of the Public Utilities Commission R. Irklis

**Annex 3**

Decision No. 1/16 of the Public Utilities Commission

13 April 2017

[*4 September 2017; 25 October 2018*]

**Balancing Agreement No.**

|  |  |  |
| --- | --- | --- |
| Riga |  201\_\_ |  |

 (unified registration No. 40203041605), hereinafter – the **Transmission System Operator**, herein represented by under the Articles of Association/commercial power of attorney, and name of the merchant (unified registration No.  ), hereinafter – the **System User**, herein represented by under the basis of representation , hereinafter jointly referred to as the Parties, and each individually as the Party, enter into the following agreement, hereinafter – the Agreement:

**1. Terms Used in the Agreement**

1.1. The terms in the Agreement are used within the meaning of the Energy Law, and the Regulations Regarding the Use of Natural Gas Transmission System (hereinafter – the Regulations Regarding the Use of Transmission System).

1.2. The balancing period shall be understood to mean in this Agreement a time period which begins each gas day at 7:00 and ends on the following day at 7:00 (from 5:00 to 5:00 UTC on the following day in the winter time period and from 4:00 UTC to 4:00 UTC on the following day in the summer time period), and during which the System User must ensure that the quantity of natural gas injected into the transmission system matches the quantity of natural gas withdrawn from the transmission system.

**2. Subject-Matter of the Agreement**

The Agreement shall determine the rights and obligations of the Transmission System Operator and the System User with regard to ensuring the balancing of the transmission system, as well as settlements of the Parties for daily imbalance and exchange of information.

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

3.1. The Transmission System Operator shall undertake to make balancing calculations in a transparent and equal manner, and ensure access of the System User to the virtual point of sale.

3.2. The System User shall assume responsibility for balance, undertake to comply with the Regulations Regarding the Use of Transmission System, and not to abuse the balancing system for its own commercial purposes or to benefit.

**4. Security for Fulfilment of Liabilities**

4.1. The System user shall, upon request of the Transmission System Operator and in accordance with the Regulations Regarding the Use of Transmission System, submit to the Transmission System Operator a security for the fulfilment of liabilities (submit an original of the guarantee of a financial services provider or of the related merchant whose credit rating corresponds to the criteria specified in Paragraph 156 of the Regulations Regarding the Use of Transmission System or make a security deposit).

4.2. Upon termination of the Agreement the Transmission System Operator has an obligation to, within five working days, refund to the System User the sum of security for the fulfilment of liabilities which has not been used to extinguish the unfulfilled liabilities of the System User or return to the System User the original of the submitted guarantee of the financial services provider or of the related merchant whose credit rating corresponds to the criteria specified in Paragraph 156 of the Regulations Regarding the Use of Transmission Services.

**5. Determination of Daily Imbalance**

5.1. If the sum of the quantities of natural gas of the System User injected into the transmission system on the gas day is not equal to the sum of the quantities of natural gas withdrawn from the transmission system on the gas day, the Transmission System Operator shall sell the missing natural gas to the System User for the purchase price of natural gas or purchase the remaining natural gas from the System User for the sales price of natural gas.

5.2. The Transmission System Operator shall calculate daily imbalance for the balancing period on the day D+1 as the difference between the injection and withdrawal of natural gas in units of energy allocated to the balancing portfolio of the System User.

**6. Calculation of the Daily Imbalance Fee**

6.1. The Transmission System Operator shall calculate the daily imbalance fee by multiplying the difference of the injection and withdrawal of the System User in the Transmission System by the purchase or sales price of natural gas.

6.2. The purchase or sales price of natural gas shall be determined in accordance with the Regulations Regarding the Use of Transmission System.

**7. Settlements for Imbalance**

7.1. If during a reporting period the imbalance of the balancing portfolio of the System User is registered in at least one balancing period and the imbalance quantity is negative, the Transmission System Operator shall issue an invoice to the System User for all negative imbalance quantities registered in the reporting period, and send it to the electronic mail address of the System User indicated in the Agreement by the 15th day of the month following the reporting period. The invoice shall be deemed received on the day of sending thereof.

7.2. If during a reporting period the imbalance of the balancing portfolio of the System User is registered in at least one balancing period and the imbalance quantity is positive, the System User shall issue an invoice to the Transmission System Operator for all positive imbalance quantities registered in the reporting period, and send it to the electronic mail address of the Transmission System Operator indicated in the Agreement by the 15th day of the month following the reporting period. The invoice shall be deemed received on the day of sending thereof.

7.3. The Parties may agree on offset of mutual settlements. The Transmission System Operator and the System User shall settle accounts for the imbalance calculated in the reporting period by the 20th day of the month following the reporting month.

7.4. If the last day for the payment of the invoice is a non-business day or a public holiday specified in the Republic of Latvia, the last day for the payment of the invoice shall be deemed the following working day.

7.5. All payments shall be made in euros to the bank accounts of the Parties indicated in the Agreement.

7.6. The day, when the money is transferred into the current account of the Transmission System Operator or of the System User respectively, shall be deemed the payment date.

7.7. If the System User or the Transmission System Operator fails to pay for the imbalance calculated in the reporting period within the time period specified in Paragraph 7.3 of the Agreement, the Transmission System Operator or the System User shall calculate default interest in the amount of 0.15 % of the outstanding amount for each day of delay. The default interest shall be calculated once a month and indicated together with other information in the invoice for the imbalance fee calculated in the reporting period.

**8. Responsibility of the Parties**

8.1. The rights and obligations of the Parties shall be specified in the Regulations Regarding the Use of Transmission System.

8.2. The Parties shall be responsible for fulfilment of the terms and conditions of this Agreement. The Parties shall compensate losses arising to the other Party, if the guilty Party fails to fulfil or fulfils the terms and conditions of the Agreement inadequately.

8.3. The Party shall not be liable for the losses caused by the other Party to third parties (end users, neighbouring transmission system operator).

8.4. The Party which has properly fulfilled its liabilities of the Agreement is entitled to request the other Party to fulfil its liabilities in full.

**9. Applicable Legal Norms and Settlement of Disputes**

9.1. The Agreement has been prepared, and a legal relationship arising from the Agreement shall be governed, fulfilled, and interpreted in accordance with the laws and regulations in force in the Republic of Latvia.

9.2. All disputes and disagreements (hereinafter referred to in this Paragraph as – Dispute) between the Parties are settled by mutual negotiations. In case of a Dispute, the Party, referring to the existence of a Dispute, shall submit to the other Party a written notice, specifying the description of the Dispute, offered solution of the Dispute and persons who are authorised to conduct negotiations with regard to the Dispute on behalf of the Party.

9.3. If the Parties fail to settle the Dispute by mutual negotiations within 30 (thirty) days (unless the authorised persons of the Parties have agreed on other time period for the settlement of the Dispute) from the moment of occurrence thereof, the Dispute shall be settled in accordance with the procedures laid down in the laws and regulations in force in the Republic of Latvia.

**10. Force Majeure**

10.1. The Parties shall not be responsible for complete or partial non-fulfilment of liabilities of the Agreement if such a non-fulfilment has occurred due to force majeure circumstances. Within the meaning of this Paragraph force majeure circumstance is an obstacle arising beyond control of the affected Party, making it difficult for the Party to fulfil its liabilities specified in this Agreement and which the Party is not able to prevent. The following circumstances shall be primarily deemed as such: disasters, fire, earthquake, and other natural calamities, war activities, and also economic sanctions, embargo, instructions and orders of courts, administrative and state authorities or any other circumstances, which could not be predicted by the Parties during the conclusion of this Agreement.

10.2. Also certain obstacles for fulfilment of this Agreement, arising during the time when the Party, failing to fulfil the liabilities of this Agreement, was late in the fulfilment of its liabilities of this Agreement, shall not be deemed as force majeure circumstances.

10.3. If force majeure circumstances last for more than 30 calendar days, the Parties shall commence negotiations regarding acceptable solution for fulfilment of liabilities of the Agreement. In such event, termination of the Agreement is possible only by mutual agreement of the Parties.

10.4. The Parties shall, without delay, inform each other regarding the force majeure circumstances. If the Parties fail to inform regarding the force majeure circumstances, the Parties may not use them as a justification for non-fulfilment of the Agreement.

10.5. Upon termination of force majeure circumstances, the Parties shall, without delay, fulfil obligations that were performed until the moment the force majeure circumstances occurred, unless the Parties have agreed otherwise.

**11. Duration of the Agreement, Making Amendments, Termination of the Agreement**

11.1. The Agreement shall enter into effect when both Parties have signed it, and remain in effect for an indefinite period of time.

11.2. Amendments and supplementations to the Agreement may be made upon agreement between the Parties. All amendments and supplementations shall be made in writing and they shall enter into effect only when both Parties have signed them.

11.3. The Agreement may be terminated upon written agreement of the Parties, or unilaterally in the case referred to in Paragraphs 11.4 and 11.5 of the Agreement.

11.4. Any of the Parties may unilaterally terminate the Agreement, if the other Party fails to fulfil or inadequately fulfils its liabilities specified in the Agreement for more than 30 calendar days. In such case the Party, wishing to terminate the Agreement on such grounds, shall notify the other Party thereof in writing, indicating the reason for termination of the Agreement, no later than 30 calendar days prior to the termination of the Agreement. The Agreement shall be deemed as terminated on the day indicated in the notice.

11.5. The System User may unilaterally terminate the Agreement by notifying the Transmission System Operator thereof in writing not later than 30 calendar days prior to the termination of the Agreement if the System User plans to terminate use of the transmission system services (reservation of transmission system capacities) in conformity with the agreement on the transmission system service.

11.6. Termination of the Agreement does not relieve the Parties from the fulfilment of financial obligations which have arisen during the duration of the Agreement.

**12. Exchange of Information**

12.1. Upon conclusion of the Agreement the Parties shall undertake to conform to the time periods and methods of communication specified in the Regulations Regarding the Use of Transmission System.

12.2. The activities specified in the Regulations Regarding the Use of Transmission System (for ensuring of balancing, transfer of quantities of natural gas between balancing portfolios of the system users, etc.) may only be performed by the persons to whom the System User has granted such rights.

12.3. Exchange of information between the Transmission System Operator and the System User shall take place electronically by sending information to the electronic mail addresses indicated by the Parties in the Agreement.

12.4. All the information which has become known to the Parties in relation to the conclusion of the Agreement and fulfilment of liabilities specified in the Agreement shall constitute a business secret and may not be disclosed to third parties without receipt of prior written consent from authorised representatives of the Parties, except for the information the disclosure of which is provided for in the Regulations Regarding the Use of Transmission System or other laws and regulations.

12.5. Information related to the fulfilment of liabilities specified in the Agreement shall be provided by the Transmission System Operator to other natural gas supply system operators, insofar it is necessary for proper conformity with the Regulations Regarding the Use of Transmission System and the Agreement.

12.6. Termination of the Agreement shall not cease the obligation of the Parties in respect of non-disclosure of the business secret.

**13. Other Provisions**

13.1. The Parties are not entitled to transfer or delegate any of their obligations under the Agreement to any third party without prior written consent of the other Party.

13.2. If separate paragraphs of the Agreement lose their effect, it shall not serve as the grounds for cancellation of other paragraphs of the Agreement.

13.3. The Parties shall, within three working days from the conclusion of this Agreement, notify each other of the authorised persons for the fulfilment of the obligations provided for in this Agreement and contact details thereof, as well as immediately inform of any changes in this information during duration of the Agreement.

13.4. The Agreement has been prepared in Latvian on \_\_\_ (\_\_\_\_\_\_\_) pages and signed in two copies one of which shall be stored with the System User and the other – with the Transmission System Operator. Both counterparts of the Agreement have the same legal effect.

**14. Details of the Parties**

|  |  |  |
| --- | --- | --- |
| **Transmission System Operator:** |  | **The User of the System:** |
|  |  |  |  |  |
| Registration No.  |  |  | Registration No.  |  |
| VAT registration No. |  |  | VAT registration No. |  |
| Legal address: |  |  | Legal address: |  |
| Tel.  |  |  | Tel.  |  |
| Fax:  |  |  | Fax:  |  |
| E-mail:  |  |  | E-mail:  |  |
| Bank details:  |  |  | Bank details:  |  |

Chair of the Board of the Public Utilities Commission R. Irklis

**Annex 4**

Decision No. 1/16 of the Public Utilities Commission

13 April 2017

**Exchange of Information**

[*25 October 2018*]

1. The transmission system operator and the system users shall exchange information regarding the reservation of capacities, refusal of capacities, nominations and re-nominations of capacities, allocations of quantities of natural gas, balancing, and other important information related to the provision of transmission system services within the time periods specified in the Regulations Regarding the Use of Transmission System (hereinafter – the Regulations) by using the following methods of communication:

|  |  |  |
| --- | --- | --- |
| Paragraph No. of the Regulations | Edig@s standard information/other | Description |
| 37. reservation of long-term capacity  | CAPBKI | In conformity with the description of the XML schema definition language (hereinafter – XSD) which is developed and published by the transmission system operator (hereinafter – the TSO) |
| 38. authorisation of long-term firm capacity | CAPRES | In conformity with XSD which is developed and published by the TSO |
| 38. rejection of the reservation of long-term capacity | ACKNOW | In conformity with XSD which is developed and published by the TSO |
| 39. clarification of the application for reservation of capacity | CAPBKI | In conformity with XSD which is developed and published by the TSO |
| 40. authorisation of interruptible capacity | CAPRES | In conformity with XSD which is developed and published by the TSO |
| 42.1. reservation of quarterly capacity | CAPBKI | In conformity with XSD which is developed and published by the TSO |
| 42.2. reservation of monthly capacity | CAPBKI | In conformity with XSD which is developed and published by the TSO |
| 42.2. reservation of daily capacity | CAPBKI | In conformity with XSD which is developed and published by the TSO |
| 42.4. reservation of current daily capacity | CAPBKI | In conformity with XSD which is developed and published by the TSO |
| 43.1. authorisation of quarterly and monthly capacities | CAPRES | In conformity with XSD which is developed and published by the TSO |
| 43.1. rejection of the reservation of quarterly and monthly capacities | ACKNOW | In conformity with XSD which is developed and published by the TSO |
| 43.1. clarification of the application for reservation of capacity | CAPBKI | In conformity with XSD which is developed and published by the TSO |
| 43.1. authorisation of interruptible capacity | CAPRES | In conformity with XSD which is developed and published by the TSO |
| 43.12. authorisation of daily capacity | CAPRES | In conformity with XSD which is developed and published by the TSO |
| 43.2. rejection of the reservation of daily capacity | ACKNOW | In conformity with XSD which is developed and published by the TSO |
| 43.2. clarification of the application for reservation of capacity | CAPBKI | In conformity with XSD which is developed and published by the TSO |
| 43.2. authorisation of interruptible capacity | CAPBKI | In conformity with XSD which is developed and published by the TSO |
| 43.3. authorisation of current daily capacity/rejection of the reservation of capacity | CAPRES | In conformity with XSD which is developed and published by the TSO |
| 43.3. rejection of the reservation of current daily capacity | ACKNOW | In conformity with XSD which is developed and published by the TSO |
| 48. notification of the secondary capacity trade transactions | TRAADV | In conformity with XSD which is developed and published by the TSO |
| 49. authorisation of the secondary capacity trade transactions | ACKNOW | Positive authorisation In conformity with XSD which is developed and published by the TSO |
| 53. refusal of the purchased firm capacity | SURCAP | In conformity with XSD which is developed and published by the TSOType = ANP |
| 55. notification of the user of the re-distribution of the transferred capacity | SURCAP | In conformity with XSD which is developed and published by the TSOType = ANQ |
| 58. forced transfer of capacity | CAPDOC | In conformity with XSD which is developed and published by the TSO |
| 65. submission of nomination | NOMINT | In conformity with XSD which is developed and published by the TSO |
| 77. approval of nomination | NOMRES | In conformity with XSD which is developed and published by the TSO |
| 67. submission of re-nomination | NOMINT | In conformity with XSD which is developed and published by the TSO |
| 80. submission of re-nomination | NOMINT | In conformity with XSD which is developed and published by the TSO |
| 81. approval of re-nomination | NOMRES | In conformity with XSD which is developed and published by the TSO |
| 85. rejection of nominations/re-nominations | ACKNOW | In conformity with XSD which is developed and published by the TSO |
| 91. adjustment of nominations/re-nominations | NOMRES | In conformity with XSD which is developed and published by the TSO |
| 98. approval of VTP nominations | NOMRES | In conformity with XSD which is developed and published by the TSO |
| 98. rejection of VTP nominations | ACKNOW | In conformity with XSD which is developed and published by the TSO |
| 109. information regarding the initial allocation of quantity | ALOCAT | In conformity with XSD which is developed and published by the TSOType=95G |
| 110. information regarding the restored allocation of quantity | ALOCAT | In conformity with XSD which is developed and published by the TSOType=95G |
| 110. information regarding the final allocation of quantity | ALOCAT | In conformity with XSD which is developed and published by the TSOType=96G |
| 122. notification of daily imbalance | ACCSIT | In conformity with XSD which is developed and published by the TSO |
| 148. discontinuation/restriction of the transmission system service | NOMRES, CAPDOC | In conformity with XSD which is developed and published by the TSO (Type=AND) |

2. The system user has an obligation to ensure submission of the information specified in the Regulations to the transmission system operator in conformity with the format laid down in this Annex.

3. The transmission system operator has the right to change information technology solutions for exchange of the information specified in the Regulations and request the system user to prepare for such changes by informing the system user thereon within a reasonable period. The system user shall update its information technology system or software on its own account within the time period specified by the transmission system operator.

4. The transmission system operator shall publish on its website any changes in the use of the methods of communication specified in this Annex not later than two months prior to the relevant changes enter into effect.

5. If the exchange of information between the transmission system operator and the system users referred to in this Annex is not possible for technical reasons, exchange of information shall take place via e-mail, fax or telephone.

6. Nominations may only be submitted by the authorised representatives of the system users who have such rights and who are indicated in the transmission agreement, or with regard to which the system user has submitted information to the transmission system operator.

Chair of the Board of the Public Utilities Commission R. Irklis