

## **AGREEMENT ON TRANSMISSION SERVICE ON FINGRID'S CROSS-BORDER CONNECTIONS BETWEEN RUSSIA AND FINLAND, NO. 2128 /2015**

### **PARTIES**

This agreement (the "Agreement") has been concluded by and between:

- 1) Fingrid Oyj (FI10728943), Lakkisepäntie 21, 00620 Helsinki ("Fingrid") and
- 2) XXX (business ID yyy), Address ("the Customer")

Fingrid and the Customer hereinafter collectively referred to as the "Parties" and individually as a "Party".

### **DEFINITIONS**

The following definitions are used in this Agreement:

**"The Power Transmission"** means the cross-border connections between Russia and Finland as defined in the Intersystem Agreement.

**"The NPS commercial day"** means a period between hours 00:00 CET and 24:00 CET.

**"Bilateral Trade"** means bilateral commercial contracts between the Russian Trader and the Customer.

**"Direct Trade"** means trade allocated through the power exchange Nord Pool Spot AS Elspot and Elbas markets and the Russian day-ahead market operated by ATS and Russian balancing market.

**"Power Exchange"** means Nord Pool Spot AS

**"Russian Party"** means the joint stock company "Federal Grid Company" ("FGC") and the joint stock company "System Operator of the United Power System ("SO").

**"Russian Trader"** means the Russian company entitled to trade across the border connection between Russia and Finland.

The Customer and Fingrid have concluded this agreement on transmission service concerning transmission of electricity on the 400 kV alternating current connections owned by Fingrid between Russia and Finland. This Agreement is based on the Intersystem Agreement, the Operation Agreement and the Capacity Allocation Agreement between the joint stock company Federal Grid Company "FGC" (FGC), joint stock company "System Operator of the United Power System" (SO) and Fingrid and the Agreement on Electricity Metering and Accounting between FGC and Fingrid.

## **1 PURPOSE AND VALIDITY OF AGREEMENT**

- 1.1 The purpose of this Agreement is to define the terms and conditions of the transmission service provided by Fingrid on the Power Transmission and the rights and obligations of the Parties to this Agreement. The transmission service will be implemented in accordance with this Agreement and its appendix (Appendix) which forms an integral part of this Agreement.
- 1.2 This Agreement will enter into force and remain in force, when both Parties have signed it provided that the Intersystem Agreement, the Operation Agreement and the Capacity Allocation Agreement between FGC, SO and Fingrid on 400 kV cross-border connections Russia-Finland and the Agreement on Electricity Metering and Accounting between FGC and Fingrid are in force and provided that FGC has informed Fingrid about the valid commercial contracts between the Customer and a Russian Trader.
- 1.3 The application of this Agreement will commence on 1 June 2015. This Agreement will be valid until 29 February, 2016.

## **2 TRANSMISSION SERVICE**

- 2.1 The trade across the Power Transmission will be executed by deliveries under Bilateral Trade or by Direct Trade. For the purposes of Direct Trade, the term Customer refers to the Customer itself or to the principal who has authorised the Customer.
- 2.2 The Customer's transmission capacity reservation for Bilateral Trade from Russia to Finland is xxx MW and from Finland to Russia xxx MW. The capacity reservation is available to the Customer only if the Capacity Allocation Agreement provides capacity for such a trade and the Customer has a valid commercial power contract with a Russian trader. In case FGC, SO and Fingrid agree to change the transmission capacity available for Bilateral Trade or the rules of the Bilateral Trade, both the Customer and Fingrid have the right to change the transmission capacity reservations. As well, the Customer has the right to change the transmission capacity reservations for Bilateral Trade at any time, if agreed with Fingrid. Any changes in the capacity reservations shall be agreed in advance in writing between the Customer and Fingrid. Fingrid may not unreasonably reject Customer's request.
- 2.3 The Customer cannot make any transmission capacity reservation for Direct Trade. Fingrid will give all the available Direct Trade capacity to be allocated through the Finnish-Russian exchange bidding area of the Power Exchange as soon as such an area has been established.
- 2.4 In case the Customers do not fully use their capacity reservations for Bilateral Trade, Fingrid has the right to allocate the unused share of the transmission capacity of Bilateral Trade for the purposes of Direct Trade to be allocated by the Power Exchange. If the transmission capacity is not used either for the purposes of Bilateral Trade or Direct Trade Fingrid has the right to allocate the unused share of the transmission capacity for the purposes of ancillary services administered by Fingrid.
- 2.5 During faults, failures and outages on the Power Transmission or having impact on the operation of a grid section, which is directly connected to Power Transmission, Fingrid has the right to limit the Customer's transmission service on the Power

Transmission or to interrupt it completely. Fingrid does not ensure the Customer's trade opportunities during such faults, failures and outages.

- 2.6 In case of planned and system limitations, the contracted commercial transmission capacity for Bilateral Trade is limited pro rata among the traders of Bilateral Trade in order to cover the full limitation. If the limitation of the commercial transmission capacity for Bilateral Trade is not sufficient to cover the full limitation of the technical transmission capacity, the commercial transmission capacity for Direct Trade will be limited.
- 2.7 If, in case of unplanned limitations, (a grid fault, delivery failure or other serious cause), the commercial transmission capacity is less than the sum of trade schedules confirmed by Fingrid or the Power Exchange to the Customer, Fingrid has the right to limit the trade schedules of the Customer. The confirmed hourly Bilateral Trade schedules are limited pro rata. If the limitation of the Bilateral Trade is not sufficient to cover the full limitation, the trade schedules for Direct Trade will be limited.
- 2.8 In disturbance situations in the power system or other situations suddenly limiting the trades, Fingrid shall primarily ensure the technical operation of the power system. The information regarding the limitations in the transmission service is published as Urgent Market Messages of Power Exchange.

### **3 TRADE PLANNING AND DEVIATIONS FROM THE PLAN**

- 3.1 Through this Agreement, the Customer gets the right to trade through Bilateral Trade with volumes not exceeding the hourly average of his agreed commercial transmission capacity reservation of Bilateral Trade and to trade through Direct Trade with volumes not exceeding the capacity allocated to the Customer by the Power Exchange through its Finnish-Russian exchange bidding area as soon as such an area has been established. When the commercial transmission capacity for Direct Trade is limited, the volume of Direct Trade (day-ahead plus intraday trade) shall not exceed the limited commercial transmission capacity for Direct Trade.
- 3.2 Daily operations, confirmations and reports between the Customer, Fingrid and the Power Exchange concerning the Bilateral Trade and Direct Trade will be executed in accordance with the Appendix.
- 3.3 The Customer shall bid the full volume of the confirmed Bilateral Trade schedules as a price independent volume bid on the day-ahead market of the Power Exchange. The Customer shall have separate Power Exchange portfolios for Bilateral Trade and Direct Trade.
- 3.4 The Customer has during the limitations the possibility to use the intraday market of the Power Exchange to adjust his Power balance.
- 3.5 In case the sum of the hourly trade volumes of Bilateral Trade and Direct Trade confirmed by Fingrid to the Customer is different from the sum of the corresponding hourly trade volumes confirmed by the Power Exchange, there is an hourly trade difference. The hourly trade difference can be due to the fact that the bought volume on the other side of the border is different from the sold volume on the other side of the border or due to the actions of the power exchanges (curtailment of the volume) or the actions of the system operators.
- 3.6 The hourly trade difference is written down to the Customer's Power balance.
- 3.7 The Customer has during the NPS commercial day an opportunity in exceptional cases to correct the Bilateral Trade schedule of the NPS commercial day and the following NPS commercial day after having agreed on the corrections with Fingrid, the Russian trader of electricity and FGC. The intended correction shall finally be agreed upon at least sixty (60) minutes before the beginning of the operating hour in question. Correction orders received after the specified time limit shall not be honoured. Fingrid shall provide information on the corrections, but it is the

responsibility of the Customer that the correction order has been lodged in due time. Any trade schedule related notifications shall be sent without delay.

#### **4 VERIFICATION OF TRADED VOLUMES**

- 4.1 The trades are recorded in the Customer's power balance as volumes stated in a trade schedule, if a separate contract between Fingrid and the Russian seller for automatic frequency control and for supporting the operation of Finnish power system is valid and the frequency control is not switched off taking into account what has been stipulated under item 3 of this Agreement and under items 1 and 2 in the Appendix. Fingrid shall inform the Customer about the hours when the frequency control is switched off as soon as practicable. In case of limitations, the actually delivered energy will be divided to Customers' power balances in proportion to the hourly values of customer-specific trade schedules (pro rata mechanism).
- 4.2 Fingrid confirms Customer's actual hourly energy delivery to FGC, Finnish National Balance Settlement and to the Customer. The preliminary results will be submitted to the Customer within 2 working days after the delivery day. The final results will be submitted to the Customer and to FGC monthly within 5 working days after the delivery month, however, not later than on 6th day.
- 4.3 Starting from the day when common Nordic Imbalance Settlement rules are implemented in Finland, Fingrid shall confirm the final hourly energy delivery volumes on Power Transmission to the Customer and eSett Oy operating the Finnish National Balance Settlement according to the valid Nordic Imbalance Settlement rules.

## 5 TRANSMISSION FEES AND THEIR ADJUSTMENT

Based on this agreement, the Customer shall pay to Fingrid on a monthly basis the following fees.

### 5.1 Monthly service fee

The monthly service fees for Bilateral trade and Direct Trade, excluding the value added tax, are calculated according to the following formula using the Finnish calendar months:

$$\text{Monthly service fee} = k_{\text{noncap}} \sum_t^{\text{noncaphours}} \text{abs}(\text{flow}(t) * (p_{t,fi} - p_{t,ru} * \text{ExcRate}))$$

$$+ k_{\text{cap}} \sum_t^{\text{caphours}} \text{abs} \left( \text{flow}(t) * (p_{t,fi} - p_{t,ru} * \text{ExcRate}) - k(P_{\text{dailypeak}}(t) * \frac{p_{\text{cap}}}{h_{\text{cap}}} * \text{MDCap} * \text{ExcRate}) \right)$$

$t$	Variable describing a specific hour of the month
$\text{caphours}$	Parameter: All the planned peak hours of the month defined by the System Operator of the United power System
$\text{noncaphours}$	Parameter: All the hours of the invoiced month excluding the caphours
$k_{\text{noncap}}$	Coefficient for off-peak hours. Coefficient value may be different for import and export directions.
$k_{\text{cap}}$	Coefficient for peak hours. Coefficient value may be different for import and export directions.
$\text{flow}(t)$	The cross-border trade of the Customer confirmed by Fingrid at the given hour in MWh. A flow from Russia to Finland is a positive figure and a flow from Finland to Russia is a negative figure.
$p_{t,fi}$	Finnish area price at the given hour $t$ , published by the Power Exchange.
$P_{\text{dailypeak}}(t)$	Daily peak export of the capacity day related to hour $t$ in MW, maximum of confirmed trade volumes of the cross-border trade of the Customer
$p_{\text{cap}}$	Parameter: Annual forecast of monthly capacity price in the Leningrad region, published by Russian market operator ATS, RUB/MW, that can be updated from time to time <sup>1</sup> . In the flow direction from Finland to Russia, $p_{\text{cap}}$ is equal to zero.
$\text{MDCap}$	Parameter: Seasonal coefficient of monthly capacity price, published by ATS <sup>2</sup>
$h_{\text{cap}}$	Parameter: Planned peak hours, a monthly number published by Russian System Operator <sup>3</sup> in the previous year
$k$	Coefficient having a value of either 0 or 1.
$p_{t,ru}$	The FreeFlowZone27 region day-ahead market price (buy), published by the Russian market operator ATS. If the FreeFlowZone27 region day-ahead market price is not available to Fingrid by the time of invoicing, Fingrid will use the latest published FreeFlowZone27 region day-ahead market prices. In case the Leningrad region day-ahead market will become into the public domain, it will be used instead of the FreeFlowZone27 region day-ahead market price. <sup>4</sup>
$\text{ExcRate}$	The European Central Bank daily exchange rate of €/RUB of the previous day to the NPS commercial day published by 15:00 CET at ECB website applied for all hours of the NPS commercial day. If the exchange rate is not available, the latest published rate will be used <sup>5</sup>

Fingrid reserves the right to change the monthly service fee in general and the monthly service fee coefficients and its parameters in particular.

<sup>1</sup> <https://www.atsenergo.ru/results/statistic/fcast/fcorem/index.htm>

<sup>2</sup> [https://www.atsenergo.ru/nreport?access=public&region=eur&rname=season\\_koeff&rdate=20150116](https://www.atsenergo.ru/nreport?access=public&region=eur&rname=season_koeff&rdate=20150116)

<sup>3</sup> [http://so-ups.ru/index.php?id=newonsite\\_view&tx\\_ttnews\[tt\\_news\]=6572](http://so-ups.ru/index.php?id=newonsite_view&tx_ttnews[tt_news]=6572)

<sup>4</sup> [https://www.atsenergo.ru/nreport?rname=trade\\_zsp](https://www.atsenergo.ru/nreport?rname=trade_zsp)

<sup>5</sup> <https://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html>

Fingrid will publish on Fingrid's website the coefficients  $k_{noncap}$ ,  $k_{cap}$  and  $k$  as well as the parameters  $h_{cap}$ ,  $p_{cap}$  and  $MDCap$ . The information published on Fingrid's website is the official information for calculation of the monthly service fee.

The tariff level will be adjusted to cover the costs incurred to Fingrid by the cross-border trade across the Power Transmission plus a reasonable profit. The costs include the costs directly related to the cross-border connections and the relative share of the main grid costs incurred by the cross-border trade.

If a deficit or surplus on an annual level is expected to result, Fingrid may change the coefficients  $k_{noncap}$ , and  $k_{cap}$  to adjust the tariff level.

Fingrid shall inform the Customer at least 30 days in advance in writing about the changes in the monthly service fee and its coefficients  $k_{noncap}$ ,  $k_{cap}$  and  $k$  for the further agreement period. Otherwise, they remain in force. Fingrid may change the parameters  $h_{cap}$ ,  $p_{cap}$  and  $MDCap$  as soon as they are published in Russia.

## 5.2 ITC perimeter fee

At any given hour the Customer has to pay always at least the ITC perimeter fee (preliminarily 0,6 €/MWh in 2015). If the hourly contribution of the monthly service fee is higher than the ITC perimeter fee, ITC perimeter fee is included in the hourly contribution of the monthly service fee. If the formulae in the brackets

$(flow(t) * (p_{t,fi} - p_{t,ru} * ExcRate) - k(P_{dailypeak(t)} * \frac{p_{cap}}{h_{cap}} * MDCap * ExcRate))$  for a given peak hour, or  $(flow(t) * (p_{t,fi} - p_{t,ru} * ExcRate))$  for a given non-peak hour, have a negative value, the Customer has to pay only the ITC perimeter fee for that hour.

ITC perimeter fee is levied on the imports and exports on the transmission between the EU internal electricity market and the third countries as such. The ITC perimeter fee is based on EU Regulation No. 838/2010. The unit price applied in this Agreement is the unit price decided by ENTSO-E for any given time period. The unit price will be applied retrospectively, if necessary, based on the decision of ENTSO-E.

5.3 In addition to the fees specified in this Agreement, the Customer shall pay Fingrid the respectively valid value added tax as well as the relevant proportions of indirect taxes and charges imposed by authorities on Fingrid as far as the transmission service specified in this Agreement is concerned.

5.4 Changes, which have a direct and essential effect on the costs of the transmission service presented in this Agreement and which could not have been taken into account when contracting on the service and which are not compensated on the basis of transmission service fees specified, shall be taken into account as factors increasing or reducing the fees in accordance with their respective effects. Such changes include taxes, public charges and obligations due to legislation or other measures by authorities and other changes due to the above causes, which concern the transmission service specified in this Agreement.

5.5 If reasons beyond the control of the contracting parties to the transmission service pertaining to this Agreement lead to an evident disparity in the performance of the contractual obligations, the contracting parties shall negotiate on the adjustment of the fees or other terms of contract in order to eliminate the disparity. Such reasons include changes in financial or commercial circumstances, changes taking place in legislation, measures by authorities, or other reasons that could not reasonably have been taken into account when preparing this Agreement.

## 6 PAYMENTS

6.1 The Customer shall pay the fees specified in this Agreement as per invoices sent by Fingrid. The fees will be invoiced after the month of delivery. The due date shall

be the 14th day from the date of the invoice. The due date will be indicated in the invoice.

- 6.2 If necessary, the Customer shall make complaints regarding the invoice in writing. Fingrid shall inspect the invoice and send the necessary rectification invoice to the Customer without any delay. The complaint does not exempt the Customer from the payment obligation by the due date unless otherwise agreed upon between the Parties.
- 6.3 If payment by the Customer is in delay and the invoice is not essentially erroneous, the Customer shall pay Fingrid the annual penalty interest stated in the invoice from the due date to the date of receipt of the payment. The annual penalty interest is the reference rate of interest in accordance with the valid interest legislation added by seven percentage units.
- 6.4 Fingrid has the right to terminate the transmission service specified in this Agreement if, despite of Fingrid's written reminder, the Customer neglects his obligation to pay Fingrid, if bankruptcy or liquidation proceedings have been initiated with the Customer or if an appropriate authority has declared the Customer insolvent. However, the transmission service is not terminated, if the Customer gives to Fingrid a sufficient security. If the Customer fails to pay or have overdue payments, which have been transferred to debt collection register or agency, Fingrid has the right to demand advance payment of 2 months for the services covered in this Agreement.

## **7 DAMAGES**

- 7.1 The Party is liable to the other Party for the damage, which is caused by the Party's negligence, which cannot be regarded as minor. There shall be no liability by neither Party for loss of profit, loss of use, loss of contracts or for any consequential, economic or indirect loss, unless caused by willful misconduct or by gross negligence. The Party's total liability for all damage suffered by the other Party shall not exceed 350 000 € per calendar year.

## **8 FORCE MAJEURE**

- 8.1 In case of force majeure, Fingrid has the right to limit the Customer's transmission service or to interrupt it completely.
- 8.2 Cases of force majeure are deemed to cover events, which Fingrid could not have prevented through reasonable caution and which make Fingrid's transmission service specified in this Agreement impossible, impair it essentially or make it financially or otherwise unreasonable.
- 8.3 Force majeure covers war, internal unrest, mischief, sabotage, explosion, fire, flood, storm or other exceptional weather conditions, general interruption in traffic, strike or stoppage by a key employee group, lockout by an employer organisation, measures by authorities, insufficiency of production capacity or other causes with equally significant and unusual consequences. Force majeure is also considered to cover interruption in power production or such damage to the power production system or power transmission system caused by the above causes, which could not have reasonably been prepared for, taking into account the reliability requirements concerning the supply of electricity generally applied to the Nordic power systems.
- Fingrid shall inform the Customer about the occurrence of force majeure as well as of its end without undue delay.

## **9 TRANSFER AND TERMINATION OF AGREEMENT**

- 9.1 A Party can transfer this Agreement to a third party through a written consent of the other Party.

9.2 A Party has the right to terminate this Agreement without any delay if the other Party has essentially violated this Agreement.

## **10 DISPUTES**

10.1 Any potential disagreements arising from this Agreement, which cannot be solved through mutual negotiations are to be solved by the Helsinki District Court as the first instance if the contracting parties do not agree in writing on another procedure.

10.2 Finnish law applies to this Agreement.

## **11 RIGHT TO CHANGES**

11.1 Fingrid has the right to change this Agreement in the course of this Agreement for a reason attributable to the Russian Party, to the Finnish authorities and/or if otherwise found necessary for reliable processing of transmission schedules and secure operation of the Power Transmission. Fingrid shall inform the Customer about such changes in advance.

11.2 Fingrid has the right to apply binding principles and procedures implemented within the EU internal energy market for the transmission service between the EU internal energy market and the third countries and take their effects into account in performance of the service and in the terms of this Agreement. Fingrid shall notify the Customer on the application of such changes prior their becoming effective.

11.3 If the agreements described in the preamble of this Agreement are changed by FGC, SO and Fingrid, Fingrid has the right to change the terms of this Agreement accordingly. Fingrid shall inform the Customer on such changes as soon as reasonably possible.

## **12 OTHER TERMS OF AGREEMENT**

12.1 Each Party shall contribute to the due implementation of this Agreement. The Parties shall provide each other without any delay with the necessary information required by the application of this Agreement, aiming at as automatic data transfer as possible.

12.2 If the scope of the service specified in this Agreement is changed by the order of authorities or for other similar reason, this Agreement is supplemented by a supplementary agreement between the Customer and Fingrid.

12.3 The information, correspondence and other documents exchanged between the Parties by virtue of this Agreement shall be treated as confidential information, and they shall not be made available to third parties even after the termination of this Agreement.

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This Agreement has been drawn up and signed in two identical copies, one for each Party.

In \_\_\_\_\_, 2015

XXX

In \_\_\_\_\_, 2015

FINGRID OYJ

**APPENDIX****OPERATIONAL REGULATIONS FOR THE TRANSMISSION OF ELECTRICITY BETWEEN RUSSIA AND FINLAND****GENERAL**

This Appendix is an inseparable part of the Agreement on transmission service and this Appendix is valid during the validity of the Agreement on transmission service. Any amendments to this Appendix will be made in writing through the mutual consent of each Party, save the stipulations per Clause 11 of the Agreement on transmission service.

The times are in Central European time (CET).

**1 DAILY OPERATIONS, CONFIRMATIONS AND REPORTS FOR BILATERAL TRADE**

- 1.1 The Customer shall send their preliminary Bilateral Trade schedule for the following NPS commercial day to Fingrid latest at 06:30 CET (winter time) or at 7:30 CET (summer time) of the previous day. Fingrid confirms the Customer's trade schedule for the following NPS commercial day to FGC latest at 07:00 CET (winter time) or at 8:00 CET (summer time).
- 1.2 Fingrid shall send to the Customer the confirmed trade schedule for the following NPS commercial day latest at 10:30 CET (winter time) or at 11:30 CET (summer time). After this confirmation by Fingrid, the Bilateral Trade schedules are deemed to be approved and final taking into account what has been stated under item 3 of the Agreement.
- 1.3 By 12:00 CET the Customer shall bid the full volume of the confirmed Bilateral Trade schedule to Power Exchange day-ahead market as a separate price independent volume bid.. The Customer's bid shall not exceed the commercial transmission capacity for the Bilateral Trade of the Customer.
- 1.4 By 14:00 CET Power Exchange submits Customer's hourly day-ahead trade volumes to Fingrid for the following NPS commercial day.
- 1.5 Fingrid has the right to publish the unused commercial capacity for Bilateral Trade and the confirmed Bilateral Trade schedule of the Power Transmission at any time.

**2 DAILY OPERATIONS, CONFIRMATIONS AND REPORTS FOR DIRECT TRADE**

- 2.1 By 09:30 CET (winter time) or at 10:30 CET (summer time) Fingrid submits the amount of available commercial transmission capacity for Direct Trade to Power Exchange for the following NPS commercial day.
- 2.2 By 10:30 CET(winter time) or at 11:30 CET (summer time) Power Exchange and/or Fingrid verify and may publish the total commercial transmission capacity of Power Transmission, transmission capacity for Direct Trade, the unused commercial Bilateral Trade capacity and the total confirmed Bilateral Trade schedule for the following NPS commercial day.
- 2.3 By 12:00 CET the Customer shall submit their bids to Power Exchange day-ahead market as a separate bid for Direct Trade.

- 2.4 By 14:00 CET Power Exchange submits hourly volumes per Customer to Fingrid and to the Customers for the following NPS commercial day.
- 2.5 By 17:30 CET (winter time) or at 18:30 CET (summer time) the Customer submits to Fingrid the volumes accepted on the Russian day-ahead market
- 2.6 Fingrid and Power Exchange have the right to publish the unused commercial Direct Trade capacity and the confirmed Direct Trade schedule at any time.
- 2.7 Power Exchange has the right to share among traders the unused commercial Direct Trade capacity for intraday trade.