HOURLY MARKET AGREEMENT FOR AUTOMATIC FREQUENCY RESTORATION RESERVE, NO. XX/2016
BALANCING SERVICE PROVIDER
and
FINGRID OYJ
1 PURPOSE OF AGREEMENT

XX (hereinafter Balancing Service Provider) and Fingrid Oyj (hereinafter Fingrid) have made the following agreement concerning Balancing Service Provider's contribution to the hourly market of Automatic Frequency Restoration Reserve (aFRR) needed as Fingrid's system reserve.

In the hourly market specified in this Agreement, the reserve capacity is reserved for Fingrid's use. Fingrid activates the reserve for the needs of the power system by sending an activation signal to Balancing Service Provider. The volume of the activation signal sent to Balancing Service Provider can be at the most equal to the capacity reserved in the hourly market.

In their operations covered by this Agreement, the contracting parties shall follow the application instruction for the maintaining of the Automatic Frequency Restoration Reserve, appended to this Agreement.

2 VALIDITY OF AGREEMENT

This Agreement shall enter into force once both parties have signed it.

The application of this Agreement will commence on 29 August 2016.

This Agreement shall be valid until further notice.

3 REQUIREMENTS IMPOSED ON RESERVE CAPACITY

The machinery accepted for the maintaining of aFRR shall fulfil the requirements laid down in Appendix 1.

Balancing Service Provider shall use prequalification tests carried out in accordance with Appendix 1 to indicate that the reserve capacity notified as aFRR fulfils the required control properties. The execution of the prequalification tests shall be agreed upon separately between Balancing Service Provider and Fingrid. Balancing Service Provider is responsible for the costs of the tests and Fingrid for its own personnel costs.

Balancing Service Provider shall verify the control capability of the reserve capacity whenever modifications, which have an impact on its control capability, are carried out. In this case, Balancing Service Provider is responsible for the execution of the necessary tests in accordance with a testing specification presented in Appendix 1.

The reserve capacity, with which Balancing Service Provider participates in the maintaining of automatic frequency restoration, is presented in Appendix 2.

4 RULES OF HOURLY MARKET

Fingrid purchases Automatic Frequency Restoration Reserve from the hourly market for the hours stated in advance. Fingrid announces well in advance the hours in which the reserve will be maintained in the Nordic countries. The volume purchased from the hourly market may vary in the hours where the trading takes place.
4.1 **Bidding rules**

The volume of an individual bid shall be 5 MW. Balancing Service Provider can submit several bids. The bids cannot be linked to each other, and each bid is processed separately.

A bid shall contain the following information:

- Product (Automatic Frequency Restoration Reserve, aFRR)
- Capacity (MW) up
- Capacity (MW) down
- Price of capacity, up (€/MW,h)
- Price of capacity, down (€/MW,h)
- Type of activation signal sent for reserve capacity (water/heat)
- Hour (EET time zone)

Bids can be submitted for the hours in the next day during the previous day until 17:00 (EET). If necessary, Fingrid may request binding bids also two days before the delivery day.

The hourly bids shall be submitted for the hours of a day in the CET time zone (Elspot day). The hourly bids shall be submitted to Fingrid electronically in accordance with Fingrid’s guideline.

4.2 **Processing of bids**

For each hour, Fingrid places the bids in the price order, with the principle of giving priority to the cheapest bid. A necessary volume of the bids are used in the price order, separately for upward balancing and downward balancing capacity. Bids with the same price are used in the order of receiving the bids. An accepted bid is used in its entirety. Fingrid confirms the transactions for the next day by 18:05.

4.3 **Pricing of capacity**

The compensation paid to Balancing Service Provider is determined for each hour separately for upward balancing and downward balancing capacity so that the compensation received of an accepted bid is the same as the price set by Balancing Service Provider for the bid.

5 **REPORTING AND FOLLOW-UP OF MAINTAINING OF RESERVES**

Balancing Service Provider shall deliver real-time information on the capacity contributing to the maintaining of aFRR to Fingrid in accordance with Appendix 1.

Fingrid has the right to verify the control capabilities of the reserve capacity covered by this Agreement.

If follow-up carried out by Fingrid indicates that it is obvious that Balancing Service Provider has not maintained the control capabilities specified in Appendix 1, Balancing
Service Provider shall provide an account requested by Fingrid concerning the shortcomings of reserve maintenance within 30 days.

If Fingrid requires, on the basis of the account, a verification of the control capability by means of measurements, and if the measurements indicate that the machinery fulfils the requirements laid down in this Agreement, Fingrid shall be responsible for the costs of the measurements.

6 FEES

Fingrid shall pay compensation to Balancing Service Provider for Balancing Service Provider’s contribution to the maintaining of aFRR.

6.1 Capacity fee

The capacity fee is determined in accordance with item 4.3 separately for upward balancing and downward balancing capacity.

6.2 Energy fee

The energy caused by the activation of aFRR is taken into account in the imbalance settlement of Balancing Service Provider’s balance responsible party in accordance with Appendix 1.

Fingrid shall pay an energy fee to Balancing Service Provider’s balance responsible party for the reserve electricity purchased by Fingrid. This energy fee is calculated by multiplying the calculatory energy in the production balance caused by aFRR in each hour by the upward balancing price for each hour.

Fingrid charges an energy fee from Balancing Service Provider’s balance responsible party for the reserve electricity sold by Fingrid. This energy fee is calculated by multiplying the calculatory energy in the production balance caused by aFRR in each hour by the downward balancing price for each hour.

7 TERMS OF PAYMENT

7.1 Capacity fee

Balancing Service Provider shall send Fingrid an invoice concerning the maintaining of reserves in the previous month on the 10th day of each month or on the following first weekday. The due date of an invoice shall be 14 days from the date of the invoice. The date of the invoice is the sending date of the invoice, which shall be indicated on the invoice.

7.2 Energy fee

The energy fee is taken into account in the imbalance settlement of Balancing Service Provider’s balance responsible party, in conjunction with balancing energy invoicing. Fingrid shall inform Balancing Service Provider of the amount of the energy fee.

7.3 Complaints

A contracting party shall make complaints regarding the invoice in writing. The other contracting party shall inspect the invoice and send the necessary correction invoice
without delay. The complaint does not exempt a contracting party from the payment obligation by the due date unless otherwise agreed upon in each case.

7.4 **Interest on arrears**

If a payment to be made by a contracting party is delayed, the party in question shall pay the annual penalty interest stated on the invoice from the due date to the date of receipt of the payment. The annual penalty interest is in accordance with the valid Interest Act.

7.5 **Value-added tax**

In addition to the fees specified in this Agreement, Fingrid shall pay Balancing Service Provider the value-added tax valid at any given time.

7.6 **Balancing Service Provider’s reimbursement obligation**

If verification in accordance with item 5, other test in accordance with this Agreement, or follow-up by Fingrid indicates that aFRR maintained by Balancing Service Provider has been smaller than what has been agreed or if the control capability of the reserve capacity differs from the terms and conditions of this Agreement or from the values verified by means of prequalification tests, Balancing Service Provider shall reimburse the fees paid by Fingrid in so far as they have been based on a reserve volume which is higher than in reality.

If Balancing Service Provider neglects to provide the account requested by Fingrid in accordance with item 5 by the deadline, Balancing Service Provider shall reimburse the fees based on this Agreement for the examination period of the account.

8 **FORCE MAJEURE**

In the event of force majeure, the contracting parties have the right to restrict the maintaining of reserves or to interrupt it entirely.

Cases of force majeure are deemed to cover events which Balancing Service Provider could not have prevented through reasonable caution and which make the maintaining of reserves specified in this Agreement impossible or impair it essentially or otherwise make it unreasonable.

Cases of force majeure include war, country’s internal unrest, mischief, sabotage, explosion, fire, long-term fault at a power plant, storm or other exceptional weather conditions, general interruption in traffic, strike or stoppage of a key employee group, lock-out ordered by an employer organisation, measures by authorities, or other reason with as significant and unusual consequences.

Balancing Service Provider shall inform Fingrid of the occurrence of force majeure as well as of its end without delay. For this period, Fingrid shall not be obliged to pay the fees specified in this Agreement to Balancing Service Provider.

9 **DAMAGES**

The contracting parties are not liable for damage or loss which is the result of performances or neglects covered by this Agreement unless the damage or loss is indicated to have been caused by more than slight negligence of a contracting party or person(s) employed by it. The contracting parties are not liable to each other for indirect
or consequential damage or loss, such as unreceived profit, loss of production, damaged raw material, restarting of production, or damage or loss caused to a third party.

Fingrid is not liable for damage or loss caused by an erroneous activation signal sent by Fingrid.

10 ELIMINATION OF DISPARITY

If reasons beyond the contracting parties lead to an evident disparity in the performance of the contractual obligations, the parties shall negotiate on the adjustment of the fees or other terms of the Agreement and agree on a solution to eliminate the disparity. Such reasons include changes in financial or commercial circumstances, changes taking place in legislation, measures by authorities, or other reasons which could not have reasonably been taken into account when preparing this Agreement.

11 TRANSFER, AMENDMENT AND CANCELLATION OF AGREEMENT

11.1 Transferring the Agreement

A contracting party is allowed to transfer this Agreement to a third party only through the written consent of the other contracting party.

11.2 Amending the Agreement

Fingrid has the right to amend the rules of procurement of reserves in order to expand the reserve market or to secure the necessary reserve capacity. Fingrid shall notify the application of the change at least two weeks in advance.

Wherever possible, the contracting parties shall agree in advance on the impacts of significant changes in the properties of the reserve capacity on the volume of reserves maintained. All amendments shall be made in writing in two original copies, provided with the appropriate signatures.

If the use of the reserve capacity covered by this Agreement finishes or changes essentially, Balancing Service Provider shall agree on the removal of the reserve capacity from the scope of the Agreement with Fingrid well in advance.

This Agreement can also be supplemented through a supplementary agreement between Balancing Service Provider and Fingrid if the scope or terms of the service covered by this Agreement do not fulfil the changes in reserve maintenance caused by official regulations, changes in the rules for the maintaining of reserves in the Nordic power system or other similar reason.

11.3 Termination and Cancellation of Agreement

Each contracting party may terminate this Agreement at one (1) month’s period of notice. The period of notice begins when a contracting party has received the notice of termination in writing sent by the other contracting party.

A contracting party has the right to cancel this Agreement if the other party has essentially breached this Agreement. Essential breaches include neglecting the maintaining of reserves, conscious changing of control settings so that the control
properties are changed significantly, and neglecting to provide the account specified under item 5.

12 **DISPUTES**

Any potential disputes caused by 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.

13 **CONFIDENTIALITY**

A contracting party is allowed to surrender confidential information related to this Agreement to a third party only through the written consent of the other party. However, Fingrid may, without a separate consent given by the other contracting party, surrender confidential information relating to the Agreement to a third party for a research study commissioned by Fingrid, concerning the functioning or development of the reserve market. In this case, Fingrid shall sign a non-disclosure agreement with the third party, in which agreement the third party agrees not to forward party-specific information during or after the research study. The other contracting party shall be informed in advance of the surrender of information for the above-mentioned research purposes.

14 **OTHER TERMS OF AGREEMENT**

Each party shall contribute to the implementation of this Agreement. The contracting parties shall provide each other without delay with the necessary information required by the application of this Agreement, aiming at as automatic data transfer as possible.

Fingrid has the right to suspend the procurement of aFRR for a prescribed period of time in accordance with its commitments concerning the maintaining of reserves in the Nordic power system or due to a technical fault or obstacle that prevents the activation of aFRR. Fingrid shall inform Balancing Service Provider of the commencement of the obstacle without delay. For this period, Fingrid shall not be obliged to pay the fees specified in this Agreement to Balancing Service Provider.

Balancing Service Provider shall inform its balance responsible party of the existence of this Agreement. Fingrid has the right to send the activation signal of the reserve for information to Balancing Service Provider’s balance responsible party.

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

________________________        dd Mmmmm 2016

BALANCING SERVICE PROVIDER

____________________________  __________________________
Helsinki, Finland, dd Mmmmm 2016

FINGRID OYJ

Appendices: Appendix 1. Application instruction for Automatic Frequency Restoration Reserve (aFRR)
Appendix 2. Reserve capacity with which Automatic Frequency Restoration Reserve is maintained