

Fingrid Oyj

Terms and conditions for providers
of Manual Frequency Restoration
Reserves (mFRR)

30.11.2022

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1 Introduction

This document defines the terms and conditions of Fingrid Oyj (hereinafter Fingrid) for the providers of reserve services needed to balance the electricity system (hereinafter Balancing Service Provider) in accordance with the Guideline on Electricity Balancing, Commission Regulation (EU) 2017/2195 (hereinafter EGBL).

Frequency Restoration Reserves (FRR) are reserves whose purpose is to restore the frequency to a nominal value of 50.0 Hz and release the activated Frequency Containment Reserves (FCRs). The frequency restoration reserves are divided into two reserve products, the automatic Frequency Restoration Reserve (aFRR) and the Manual Frequency Restoration Reserve (mFRR).

The terms and conditions on the procurement and maintenance of Manual Frequency Restoration Reserve (mFRR) stated in this document shall apply when the Balancing Service Provider participates in the Balancing Energy Market and Balancing Capacity Market as well as in competitive tendering on the procurement of balancing capacity by means of Balancing Capacity Agreements.

2 Definitions

The following definitions are used in this document:

Automatic Frequency Restoration Reserve (aFRR) is a centrally controlled, automatically activating frequency restoration reserve, the purpose of which is to restore the frequency of the electricity system to the nominal frequency and to restore the power balance of the load-frequency control area to the design value.

Electronic Order means that Fingrid orders a Balancing Bid submitted by the Balancing Service Provider on the Balancing Energy Market. The order takes place by sending a message to the Balancing Service Provider or its authorised representative.

Energy Fee refers to the compensation paid for the activation of the reserve.

Special Regulation means balancing ordered for some other purpose than balance management.

Fingrid's reserve trading and information exchange guideline refers to Fingrid's more detailed instructions for Balancing Service Providers regarding, for example, the use of the Vaksi reserve trading system and the submission of real-time data. The currently valid guideline is available on the Fingrid website.

Capacity Fee refers to the compensation paid by Fingrid to a Balancing Service Provider for maintaining the reserve capacity.

Capacity Bid means a bid submitted by a Balancing Service Provider to the Balancing Capacity Market.

Manual Frequency Restoration Reserve (mFRR) is a manually activating frequency restoration reserve, the purpose of which is to restore the frequency of the electricity

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system to the nominal frequency and to restore the power balance of the load-frequency control area to the design value.

Market Time Unit means the time period during which trading takes place on the reserve market. On the Balancing Energy Market and the Balancing Capacity Market, the Market Time Unit is one hour.

Pay as Bid Principle refers to a pricing principle in which the price of each accepted bid is determined by the bid itself.

Intra-Day Market refers to an electricity market place that trades in electricity sold and purchased for that day.

Reserve Unit refers to a unit that fulfils the requirements concerning the provision of the reserve. A Reserve Unit can consist of one or more Reserve Resources.

A *Reserve Resource* refers to an individual resource capable of control; a power plant, consumption facility or electricity storage facility.

Transmission Area means the geographical area where power plants, consumption facilities and energy storage facilities are located. Latitude 64 divides Finland into the Southern and Northern Transmission Areas.

Balancing Capacity Market means capacity markets maintained by Fingrid from which Fingrid procures Manual Frequency Restoration Reserve (mFRR).

Balancing Capacity Agreement means a longer-term agreement between Fingrid and the Balancing Service Provider on the provision of mFRR balancing capacity.

Balance Capacity Bid means a Balancing Bid submitted by the Balancing Service Provider on the Balancing Energy Markets pursuant to the Balancing Capacity Market or the Balancing Capacity Agreement, unless the text specifically restricts the bid to apply to only one of them.

A *Regulating Object (RO)* refers to an identifier used in imbalance settlement, indicating the balance information related to a bid on reserves.

Balance Trade means the transaction between Fingrid and the Balancing Service Provider following the ordering of a Balancing Bid on the balancing to be activated during the operating hour.

Balancing Market Agreement means an agreement between Fingrid and the Balancing Service Provider which entitles the Balancing Service Provider to participate in the Balancing Energy and Balancing Capacity Markets.

Balancing Energy Market means energy markets maintained by Fingrid from which Fingrid procures Manual Frequency Restoration Reserve (mFRR).

Balancing Bid means a bid submitted by a Balancing Service Provider to the Balancing Energy Market in accordance with the rules of the Balancing Energy Market.

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Frequency Restoration Reserve (FRR) refers to a reserve that is available for the restoration of the frequency of the electricity system to the nominal frequency and to restore the power balance of the load-frequency control area to the design value.

Frequency Containment Reserve (FCR) refers to a reserve that is available for the containment of frequency during an imbalance between electricity production and consumption.

Balancing Service Provider (BSP) refers to a market participant whose reserve-providing units or groups are able to provide balance services to transmission system operators. In this document, reserve suppliers are also called *Balancing Service Providers*.

Imbalance Power refers to the electrical energy provided by the Balancing Service Provider that is used by transmission system operators for balancing the network. This document uses the term *Balancing Energy* for imbalance power.

Day-Ahead Market refers to an electricity market place that trades in electricity sold and purchased for the next day.

3 Procurement of reserves

The reserves are procured in accordance with Article 157 of the Guideline on System Operation, COMMISSION REGULATION (EU) 2017/1485 (hereinafter SOGL). The obligations concerning the maintaining of a manual Frequency Restoration Reserve are specified between the Nordic transmission system operators pursuant to SOGL Article 157.

In order to balance electricity production and consumption, Fingrid orders Manual Frequency Restoration Reserve from the Balancing Energy Market. Fingrid uses the Balancing Capacity procured by means of Balancing Capacity Agreements and from the Balancing Capacity Market to ensure that there is, at all times, a sufficient volume of Frequency Restoration Reserve to maintain the power balance between production and consumption and for other needs required to ensure the operational security of the transmission system.

4 Requirements for a Balancing Service Provider

A party that has access to Reserve Unit(s) that fulfil(s) the requirements laid down in section 5 can become a Balancing Service Provider.

The Balancing Service Provider shall make a Balancing Market Agreement with Fingrid before they can participate in the Balancing Energy and Balancing Capacity Markets. The Balancing Capacity Agreements are made on the basis of a separate competitive tendering process.

In order to participate in the Balancing Energy and Balancing Capacity Markets and the competitive tendering of Balancing Capacity Agreements, a Balancing Service Provider must be an owner of a Reserve Resource and act either as an open supplier

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or a balance responsible party for the Reserve Resource. A Balancing Service Provider must have the consent of the owner of the Reserve Resource for the use of the reserve pursuant to the Balancing Market Agreement or Balancing Capacity Agreement. Upon Fingrid's separate request, the Balancing Service Provider shall deliver the consent of the owner of the Reserve Resource to Fingrid.

If a Balancing Service Provider is not the balance responsible party of the Reserve Resource, the Balancing Service Provider shall inform the balance responsible party of the Reserve Resource of the control use of the Reserve Resource no later than when a Balancing Market Agreement or Balancing Capacity Agreement has been concluded. If the balance responsible party of the Reserve Resource changes, the Balancing Service Provider shall inform Fingrid of the change in writing no later than 14 days before the change takes effect.

A Balancing Service Provider participating in the Balancing Capacity Market and in the competitive tendering of Balancing Capacity, or its authorised representative, must be able to receive Balancing Bid orders both by phone and by message (Electronic Order). To participate in the Balancing Energy Market, it is sufficient for the time being that the Balancing Service Provider or its authorised representative is able to receive orders by phone.

The Balancing Service Provider or its authorised representative must be available for Fingrid to contact by phone 45 minutes before the start of the hours for which the Balancing Service Provider has submitted Balancing Bids, and during those hours.

If, after the deadline for Balancing Bid submission, the Balancing Service Provider finds that it cannot deliver the balancing in accordance with the Balancing Bid it has submitted, the Balancing Service Provider shall inform Fingrid of this immediately. A Balancing Service Provider who has participated in the Balancing Capacity Market shall inform Fingrid immediately if it is unable to submit Balancing Bids for an accepted Capacity Bid.

5 Requirements imposed on the Reserve Unit

Pursuant to SOGL Article 159, the Balancing Service Provider must demonstrate that the Reserve Unit reported as reserve is in compliance with the required control capacity by means of prequalification tests laid down in the document, *Verification and Prequalification Process and Technical Requirements for manual Frequency Restoration Reserves (mFRR)* published by Fingrid.

The Reserve Unit shall be located within Fingrid's system responsibility area¹.

The balancing of the Reserve Unit is based on physical changes in the power output. The balancing must be delivered to its full power within 15 minutes of the order. It must be possible to activate the bid at the offered power during the entire operating hour.

¹ Finland excluding the autonomous region of Åland.

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6 Aggregation of Reserve Resources

Reserve Resources may be aggregated under the following conditions:

- The aggregated Reserve Resources must be located in the same Transmission Area (South/North)
- The aggregated Reserve Resources must reside in the balance of the same balance responsible party.

An exception to these rules is that Reserve Resources located in different Transmission Areas may be aggregated, if the minimum capacity of the Balancing Bid would not otherwise be met in the Transmission Area. However, a Balancing Bid that contains aggregated Reserve Resources from different Transmission Areas cannot necessarily be used in all situations, due to the state of the power system.

The name of the Reserve Unit in the Balancing Bid contains a Regulating Object (RO) by which the Balancing Bid is allocated to a certain balance responsible party and Transmission Area. The RO used in the Balancing Energy Market does not need to be specific to a Reserve Unit or production form, and production and consumption facilities in the balance of the same balance responsible party can be combined under the same RO. Thus, the Reserve Resources located in the same Transmission Area of the same balance responsible party can be aggregated by assigning them a single RO that contains the Reserve Resources to be aggregated.

If a Balancing Bid contains aggregated Reserve Resources from different Transmission Areas or a share of a shared power plant, the Balancing Bid must itemise the power volumes in sub-bids for Transmission Areas by using different ROs. The aggregated sub-bids are linked to each other by the aggregation link number (1–10).

7 Rules of the Balancing Energy Market

7.1 Balancing Bids

The Balancing Bids shall be submitted in Fingrid's electronic reserve trading system (Vaksi) in accordance with Fingrid's separate guideline, *Fingrid's reserve trading and information exchange*.

Balancing Bids may not be submitted earlier than 30 days before the operating hour that is the subject of the bid. A Balancing Service Provider may change and cancel Balancing Bids up until 45 minutes before the start of the operating hour (deadline for Balancing Bid submission), after which the bids will become binding. If necessary, Fingrid may also ask the Balancing Service Provider to submit additional Balancing Bids after this.

A Balancing Bid must contain the following information:

- Power (MW), separately for up-regulation and down-regulation bids
- Price (€/MWh), separately for an up-regulation and down-regulation bid

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- Reserve Unit Name²
- Information about the reserve, if the Balancing Bid is a reserve power plant bid
- Aggregation link number (1–10), if the Balancing Bid combines different ROs
- Hour (EET/EEST time zone).

Several Balancing Bids may be submitted for a single Reserve Unit. An incomplete Balancing Bid will be ignored on the Balancing Energy Market.

The minimum capacity of each Balancing Bid is 5 MW. If the Balancing Bid can be ordered by message (Electronic Order), the minimum capacity of the Balancing Bid is 1 MW.

Balancing Bids shall be submitted at an accuracy of 1 MW. The maximum capacity per Reserve Unit of a Balancing Bid is 200 MW. The Balancing Service Provider may ask Fingrid to set a different Balancing Bid maximum capacity for a Reserve Unit.

The maximum price of a Balancing Bid is €10,000/MWh, and the minimum price is -€10,000/MWh. When the price limits in the Intra-Day Market are changed, the maximum and minimum prices of Balancing Bids are changed accordingly.

7.2 Processing of Balancing Bids

For each operating hour, Fingrid submits Finland's available Balancing Bids to the Nordic Balancing Energy Market, which creates a Nordic list of bids by arranging bids in price order: for the up-regulation bids, the cheapest Balancing Bid is placed on top and for the down-regulation bids the most expensive Balancing Bid on top.

For balance management and frequency maintenance, the Balancing Bids (excluding reserve power plant bids) are used in price order. If a Balancing Bid cannot be used due to the state of the power system or because of information system problems, the Balancing Bid with the lowest price will be chosen from the Nordic list of bids.

7.3 Ordering Balancing Bids

In the case of Electronic Orders, the Balancing Service Provider or its authorised representative must respond to a Balancing Bid order from Fingrid within two minutes. A Balance Trade binding on the parties is created when the Balancing Service Provider receives the Electronic Order. A Balance Trade is considered to have been created regardless of whether the Balancing Service Provider responds to or accepts the order.

² In Fingrid's electronic reserve trading system (Vaksi), the Reserve Units are assigned names, associated ROs and Transmission Areas (South/North) and, optionally, more detailed location information (coordinates and main grid connection point). The sub-bids of an aggregated Balancing Bid use the names of the Reserve Resources.

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In the case of orders made by phone, a Balance Trade binding on the parties is created in connection with an order indicated by Fingrid by phone.

The minimum balancing order from Fingrid is 1 MW, and any balancing is ordered at an accuracy of 1 MW. The minimum duration of a balancing order is one minute.

7.4 Special Regulation

Fingrid can also order Balancing Bids for Special Regulation. Special Regulation means a bid that Fingrid orders from the Balancing Energy Market for another reason than balance management. For this purpose, Fingrid uses Balancing Bids suitable for the transmission situation, and these bids are not necessarily used in price order. If more detailed location information (coordinates & main grid connection point) is not available for a Reserve Unit, Fingrid may not be able to use a Balancing Bid submitted for that Reserve Unit for Special Regulation.

8 Rules of the Balancing Capacity Market

If necessary, Fingrid procures up- and down-regulation capacity from the Balancing Capacity Market by means of day-ahead competitive tendering for the hours of the next day in the CET/CEST time zone. The Market Time Unit is one hour.

The tendering schedule is as follows:

Day	Time of Day (EET/EEST)	Event
D-1	9:30	Deadline for Capacity Bid submission.
D-1	10:30	Deadline for publishing the decision to purchase from the Balancing Capacity Market.
D	1:00	The first Market Time Unit begins.

In the Balancing Capacity Market, the Balancing Service Provider commits to offering to the Balancing Energy Market the reserve volume that was accepted in the tendering process for the Market Time Unit, and Fingrid will pay a Capacity Fee for the Balancing Service Provider for this.

8.1 Bidding rules

The maximum capacity for a single Capacity Bid is 50 MW, and the minimum capacity is 1 MW. Capacity Bids shall be submitted at an accuracy of 1 MW. The Balancing Service Provider must indicate separately in the Capacity Bid, if the Capacity Bid must be treated as an undivided bid.

A Balancing Service Provider can submit several Capacity Bids. The bids must not be linked to each other, and each bid is processed separately. A Capacity Bid must contain the following information:

- Product (up- or down-regulation capacity)

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- Hour (EET/EEST time zone)
- Capacity (MW)
- Capacity price (€/MW,h)
- Transmission Area (South/North)
- In addition, optional information: Reserve Unit Name³.

Capacity Bids are submitted to Fingrid's electronic reserve trading system (Vaksi). The process for submitting Capacity Bids is described in the guideline, *Fingrid's reserve trading and information exchange*.

8.2 Processing of bids

The procurement decisions concerning the balancing capacity from the Balancing Capacity Market are made in order to ensure the operational security of the electricity system and to achieve the lowest possible procurement cost in the overall procurement of Frequency Restoration Reserves. The selection criteria used for processing and procuring Capacity Bids is as follows:

- Capacity price: primary criterion
- Bid divisibility: if a limit bid (i.e. a bid whose total procurement volume exceeds the total volume of required balancing capacity). If a Balancing Service Provider requires that the bid be processed undivided, the bids might not necessarily be selected in price order. Instead, Fingrid will seek the lowest procurement cost in the overall procurement.
- Arrival time: if similar (price, divisibility) limit bids.

In addition, the Transmission Area indicated in the Capacity Bid may be applied as the primary criterion if the operational situation of the electricity system so requires. In this case, Capacity Bids are selected in price order, taking into account the restrictions on procurement imposed by the location of the bids. The Balancing Service Provider shall be informed of restrictions resulting from the operational situation in connection with the publication of the procurement results.

The Transmission Area indicated in the Capacity Bid is binding, meaning that the Balancing Service Provider must maintain the balancing capacity in the Transmission Area in accordance with Capacity Bid. The Reserve Unit indicated in the Capacity Bid is not binding on the Balancing Service Provider.

³ In Fingrid's electronic reserve trading system (Vaksi), the Reserve Units are assigned names, associated ROs and Transmission Areas (South/North) and, optionally, more detailed location information (coordinates and main grid connection point).

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9 Rules for balancing capacity procured with Balancing Capacity Agreements

Fingrid can also procure balancing capacity with a Balancing Capacity Agreement by arranging a separate competitive tendering procedure as necessary. A notification about the competitive tendering will be posted on Fingrid’s website, and the time allocated for submitting the bids is at least one month from the start of the tendering procedure. The product to be procured (up- or down-regulation capacity) and the agreement period are determined in the tendering procedure.

A Balancing Service Provider who has a valid Balancing Capacity Agreement undertakes to offer balancing capacity to the Balancing Energy Market for the duration of the agreement period.

In addition, any Reserve Unit offered for the competitive tendering of Balancing Capacity Agreements must be capable of at least three hours of continuous activation. After the order, the Reserve Unit is allowed a resting period, the duration of which is the same as the last activation but at least three hours and at most six hours.

The Balance Capacity Bid in accordance with the Balancing Capacity Agreement must be submitted for all hours of the day in the CET/CEST time zone by 8:00 (EET/EEST) on the morning of the previous day. After this, the Balance Capacity Bid is binding in terms of volume. Balance Capacity Bids shall be submitted according to the following schedule:

Day	Time of Day (EET/EEST)	Event
D-1	8:00	Deadline for Balance Capacity Bid submission for all hours of the next CET/CEST day
D	00:15	Balance Capacity Bid can no longer be updated for the hour 1:00–2:00
D	1:00	The first hour of the CET/CEST day begins

9.1 Bidding rules

A bid must contain the following information:

- Capacity, constant for the contract period (MW)
- Capacity price, constant for the contract period (€/MW,h)
- Transmission Area (South/North)
- Reserve Unit Name⁴.

⁴ In Fingrid’s electronic reserve trading system (Vaksi), the Reserve Units are assigned names, associated ROs and Transmission Areas (South/North) and, optionally, more detailed location information (coordinates and main grid connection point).

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The minimum capacity of a single bid is 5 MW. A bidder can submit several bids. The bids shall be submitted at an accuracy of 1 MW.

9.2 Processing of bids

The procurement decisions concerning the balancing capacity are made in order to ensure the operational security of the electricity system and to achieve the lowest possible procurement cost in the overall procurement of Frequency Restoration Reserves.

The Transmission Area submitted to the tendering procedure by the Balancing Service Provider is binding, meaning that the Balancing Service Provider must maintain the balancing capacity in the Transmission Area in accordance with its bid. The Reserve Unit indicated in the bid is not binding on the Balancing Service Provider, unless Fingrid separately announces in connection with the procurement decision that it will become binding for the bid in question. In this case, the Balancing Service Provider shall maintain the balancing capacity in the Reserve Unit in accordance with the bid.

10 Reporting and monitoring of reserve maintenance

10.1 Real-time data

Fingrid uses real-time data to monitor the activation of the reserves. The Balancing Service Provider shall at their own expense submit to Fingrid an active power measurement of the Reserve Unit or other real-time data that enables Fingrid to verify the activation. The real-time exchange of information is subject to Fingrid's application guideline *Real-time exchange of information*.

The update interval for real-time data exchange must not exceed 60 seconds.

10.2 Balancing Service Provider's reporting to balance responsible party

The Balancing Service Provider is obligated to report the volume of the ordered bids to the balance responsible party of the Reserve Resource.

11 Processing of energy

Balance Trade creates a delivery of energy between Fingrid and the balance responsible party of the Reserve Unit. The hourly energy generated from this is calculated as the product of the ordered balancing power and the operating time.

Balance Trades affect the balance of the balance responsible party of the Reserve Unit, and the Balancing Energies thereby created are automatically taken into account in the imbalance settlement of the balance responsible party of the Reserve Unit. Fingrid or its service provider reports the preliminary volume of the Balancing Energy to the balance responsible party after the operating hour and the final information no later than within 13 days.

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12 Fees and terms of payment

12.1 Energy Fee on the Balancing Energy Markets

When Fingrid orders an up-regulation from a Balancing Service Provider on the Balancing Energy Market, Fingrid pays the Balancing Service Provider an Energy Fee that corresponds to the purchased Balancing Energy. The Energy Fee is calculated by multiplying each hour of the amount of energy ordered from the Balancing Service Provider by the up-regulation price of the hour. The up-regulation price is the price of the most expensive up-regulation bid ordered (margin price); however, at least the price for the bidding zone of Finland in the Day-Ahead Market during the hour in question.

When Fingrid orders a down-regulation from a Balancing Service Provider on the Balancing Energy Market, Fingrid charges the Balancing Service Provider an Energy Fee that corresponds to the Balancing Energy sold by Fingrid. The Energy Fee is calculated by multiplying each hour of the amount of energy delivered by Fingrid by the down-regulation price of the hour. The down-regulation price is the price of the cheapest down-regulation bid ordered (margin price), which can be no more than the price for the bidding zone of Finland in the Day-Ahead Market during the hour in question.

Any Special Regulation is priced in accordance with the Balancing Bid (Pay-as-Bid principle). However, the price for an up-regulation bid that is used for special regulation purposes is at least the same as the up-regulation price of the hour. Similarly, the price for a down-regulation bid that is used for special regulation purposes, does not exceed the down-regulation price of the hour. A Balancing Bid used for Special Regulation does not set the price of balancing power.

The Energy Fee for a Balance Capacity Bid is determined the same way as in an order for any other Balancing Bid. Energy Fees do not affect the Capacity Fee paid to the Balancing Service Provider.

If the Balancing Service Provider is a balance responsible party of a Reserve Unit, the invoicing will take place in connection with imbalance power invoicing by eSett Oy. Otherwise, Fingrid or its service provider shall send an invoice to the Balancing Service Provider no later than in six weeks from the date of delivery. The due date shall be 14 days from the invoice date. If Fingrid accumulates a receivable of more than €100,000, Fingrid may send the invoice immediately.

The Balancing Service Provider must submit any objections to the invoice in writing. Fingrid or its service provider shall inspect the invoice and send the necessary correction invoice to the Balancing Service Provider without delay. The objection shall not release the Balancing Service Provider from its obligation to pay the invoice by the due date unless otherwise agreed upon in each case.

12.2 Capacity Fee on the Balancing Capacity Market

Fingrid will pay compensation to the Balancing Service Provider in accordance with the Balance Capacity Bids submitted by Balancing Service Providers, but no more

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than for the transaction agreed in the Balancing Capacity Market for each Market Time Unit, taking into account possible sanctions. The Capacity Fee paid by Fingrid to the Balancing Service Provider is determined for each Market Time Unit as follows:

Capacity Fee = maintained reserve capacity × Balancing Capacity Market price

For each Capacity Bid accepted by Fingrid in the competitive tendering of the Balancing Capacity Market, the Balancing Capacity Market price for each Market Time Unit is determined on the basis of the price of the most expensive Capacity Bid accepted for that Market Time Unit (margin price).

Fingrid will pay the Balancing Service Provider the Capacity Fee in full if the Balancing Service Provider has maintained the Balance Capacity Bid in full in accordance with the accepted Capacity Bid, taking into account the Transmission Area, in the Market Time Unit in question. For unmaintained capacity or to the extent that the Balancing Service Provider cannot deliver the order requested by Fingrid in accordance with its Balancing Bid, the Balancing Service Provider shall pay a sanction to Fingrid.

The sanction is determined by hour as follows:

Sanction = unmaintained reserve capacity × 5 × Balancing Capacity Market price

or

Sanction = unmaintained reserve capacity × the price in the Finnish bidding zone on the Day-Ahead Market for the hour,

The sanction applied is the greater of the two. A sanction shall not be imposed if the non-delivery is due to force majeure.

If the Balancing Service Provider also has a Balancing Capacity Agreement and the Balancing Service Provider has participated in the Balancing Capacity Market without maintaining in full the Balance Capacity Bid in accordance with both the Balancing Capacity Agreement and the Balancing Capacity Market during the adjustment period, the Balancing Service Provider is considered to have primarily maintained the Balance Capacity Bid in accordance with the Balancing Capacity Agreement, as laid down in example 5 in Appendix 1 to these terms and conditions.

The Balancing Service Provider shall send the invoice for the maintenance of the previous month's balancing capacity to Fingrid on the 10th of each month or the first working day following that date. The due date of the invoice is 14 days from the invoice date, which is the date the invoice was sent.

If the sanctions imposed for the invoicing period exceed the Capacity Fee, the Balancing Service Provider shall pay compensation to Fingrid.

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12.3 Capacity Fee pursuant to the Balancing Capacity Agreement

For each bid approved by Fingrid in the competitive tendering, the Capacity Fee is determined on the basis of the approved bid (Pay-as-Bid Principle), taking into account the adjustment procedure for the Capacity Fee below.

Fingrid will pay the Balancing Service Provider the Capacity Fee in full if the Balancing Service Provider has maintained the Balance Capacity Bid in full in accordance with the Balancing Capacity Agreement.

Fingrid will adjust the Capacity Fee to be paid to a Balancing Service Provider for each week in the CET/CEST time zone. The adjustment period is one week and the adjustment is made monthly. In the adjustment, Fingrid takes into account the actual permanence of the Balance Capacity Bid under the Balancing Capacity Agreement during the period as well as the sanctions laid down in 12.3.1.

The adjusted Capacity Fee is calculated as follows:

$$\text{Capacity Fee}_{\text{adjusted}} = \text{Capacity Fee} \times \text{permanence coefficient} - \text{sanctions}$$

Permanence is determined by an hourly review on the basis of the Balance Capacity Bids submitted by 8:00 (EET/EEST) on the previous day as follows:

$$\text{permanence} = \frac{\text{D-1 klo 8:00 (EET/EEST) mennessä jätetty Säättökapasiteettitarjous (MW)}}{\text{sopimusmäärä (MW)}}$$

Permanence may not exceed 100% for any single hour. If the Balance Capacity Bid has not been submitted by 8:00 (EET/EEST) on the previous day, or has been deleted after 8:00 on the previous day or if the Balancing Service Provider cannot deliver the order requested by Fingrid as bid, the permanence for the hour is 0%. If the amount of the Balance Capacity Bid has been reduced after 8:00 (EET/EEST) on the previous day, the permanence is determined on the basis of the maintained Balance Capacity Bid. Examples of permanence determination are set out in Appendix 1 of these terms and conditions.

If several bids with different prices have been accepted from a Balancing Service Provider, the adjustment is made separately for each bid, and permanence is considered to be fulfilled primarily from the most affordable bids as described in example 4 of Appendix 1 to these terms and conditions.

If the Balancing Service Provider has also participated in the Balancing Capacity Market during the adjustment period without maintaining in full the Balance Capacity Bid in accordance with both the Balancing Capacity Agreement and the Balancing Capacity Market, the Balancing Service Provider is considered to have primarily maintained the Balance Capacity Bid in accordance with the Balancing Capacity Agreement, as laid down in example 5 in Appendix 1 to these terms and conditions.

The permanence of the entire adjustment period is the average of the hourly review, and it determines the permanence coefficient with a precision of two decimals linearly as follows:

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Permanence	100%	95%	90%	85%	80%	75%	70%	65%	60%	55%	50%
Permanence coefficient	1	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0

The adjusted Capacity Fee can be negative if the sanctions for the adjustment period exceed the Capacity Fee determined on the basis of actual permanence. In such a case, the Balancing Service Provider shall pay to Fingrid a sum corresponding to the negative Capacity Fee.

The Balancing Service Provider shall send Fingrid an invoice based on Fingrid's notification within 14 days of the notification.

12.3.1 Sanction for deleting a Balance Capacity Bid

If a Balancing Service Provider deletes a Balance Capacity Bid pursuant to the Balancing Capacity Agreement, reduces the bid after 8:00 (EET/EEST) on the previous day or cannot deliver the order requested by Fingrid in accordance with its Balancing Bid, the Balancing Service Provider shall pay to Fingrid a sanction for the amount of the bid. The sanction is determined by hour as follows:

Sanction = deleted or reduced bid amount × 5 × Balancing capacity price or

Sanction = deleted or reduced bid amount × the price in the Finnish bidding zone on the Day-Ahead Market for the hour,

The sanction applied is the greater of the two.

12.3.2 Effect of the resting period

During the resting period referred to in section 9, the deletion or reduction of a Balance Capacity Bid will not cause sanctions, but it does have an effect on the calculation of the permanence of the Balance Capacity Bid.

12.4 Value-added tax and other indirect taxes and levies

In addition to the fees specified in these terms, value-added tax shall be added to the Balancing Service Provider's invoices at the applicable rate, along with any other taxes and levies imposed on the Agreement by the authorities. Penalty interest for late payment shall be charged in accordance with the applicable revision of the Interest Act.

13 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.

Force majeure is considered to be an event beyond the control of a contracting party which was not known to the contracting parties when the Agreement was being concluded and which could not have been prevented by a contracting party or the effects of which could not have been avoided by reasonable measures and which make the

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maintaining of the reserves in accordance with the Agreement impossible, complicate it essentially or otherwise make it unreasonable.

Cases of force majeure may include war, a country's internal unrest, mischief, sabotage, explosion, fire, unforeseen equipment fault, 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 equally significant and unusual consequences.

The Balancing Service Provider shall promptly inform Fingrid in writing of the occurrence of force majeure and its estimated duration as well as its end. For the period of force majeure, Fingrid shall not pay compensation in accordance with these terms to the Balancing Service Provider, nor shall the Balancing Service Provider be subject to sanctions under these terms for unmaintained reserve capacity.

14 Breach of terms

14.1 Sanction

The Balancing Service Provider shall pay Fingrid a sanction as described in sections 12.2 and 12.3.1.

14.2 Temporary exclusion of a Balancing Service Provider from the reserve market

Fingrid has the right to temporarily exclude a Balancing Service Provider from the Balancing Energy and Balancing Capacity Market, if the Balancing Service Provider fails repeatedly without an acceptable reason to activate their Balancing Bid in accordance with Fingrid's order or otherwise breaches the terms and conditions in this document in spite of a written notice by Fingrid.

The duration of the temporary exclusion is from one to three months depending on the nature of the violation.

14.3 Cancelling the Agreement

In the event of a material breach of contract, Fingrid shall be entitled to terminate the Balancing Market Agreement as laid down in that contract or the Balancing Capacity Agreement as laid down in that contract.

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Appendix 1, examples of determining the permanence

1. Determination of compensation on the Balancing Capacity Market

A 20 MW Capacity Bid has been approved from a Balancing Service Provider for all hours at a price of €2/MW,h. Assumption: the price for the bidding zone of Finland in the Day-Ahead Market is €40/MWh in all hours.

	Balancing Bids (MW)	Capacity Fee	Sanction	Total
00–01	20	20 MW × €2/MW = €40	-	€40
01–02	15	15 MW × €2/MW = €30	5 MW × €2/MW × 5 = €50 < 5 MW × €40/MWh = €200	-€170
02–03	10	10 MW × €2/MW = €20	10 MW × €2/MW × 5 = €100 < 10 MW × €40/MWh = €400	-€380
03–04	0	-	20 MW × €2/MW × 5 = €200 < 20 MW × €40/MWh = €800	-€800

2. Determination of hourly permanence of the Balancing Capacity Agreement

The Balancing Service Provider's contractual volume is 20 MW.

	Balance Capacity Bids (MW)		Perma- nence	Explanation
	D-1 by 8:00	45 min before the operating hour		
00–01	20	20	100%	
01–02	30	30	100%	Permanence may not exceed 100%
02–03	10	10	50%	Bid 50% of the contractual volume
03–04	20	0	0%	Bid deleted
04–05	20	10	50%	Bid has been reduced

3. Determining the permanence coefficient on the Balancing Capacity Agreement

The average of hourly permanences from a week-long adjustment period is

- 90%, permanence coefficient is 0,80.
- 86%, permanence coefficient is 0,72.
- 74.5%, permanence coefficient is 0.49.
- 20%, permanence coefficient is 0.

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4. Determining the permanence of a Balancing Capacity Agreement, when several bids have been approved of a Balancing Service Provider, each with a different price

The following bids have been approved from a Balancing Service Provider:

- Bid 1: 10 MW €1/MW,h
- Bid 2: 10 MW €2/MW,h

	Balance Capacity Bids in total (MW)	Permanence of bid 1	Permanence of bid 2
00–01	20	100%	100%
01–02	15	100%	50%
02–03	10	100%	0%
03–04	0	0%	0%

5. Determining the permanence of a Balancing Capacity Agreement when the Balancing Service Provider has also participated in the Balancing Capacity Market during the adjustment period

The contractual volume in the Balancing Service Provider's Balancing Capacity Agreement is 10 MW. In addition, 10 MW has been approved from the Balancing Service Provider to the Balancing Capacity Market for the hours in question.

	Balance Capacity Bids in total (MW)	Permanence of the Balance Capacity Bid made in accordance with the Balancing Capacity Agreement	Balance Capacity Bid made in accordance with the Balancing Capacity Market
00–01	20	100%	10 MW
01–02	15	100%	5 MW
02–03	10	100%	0 MW
03–04	0	0%	0 MW