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Annex 16 to the harmonised Allocation Rules for Forward Capacity Allocation

Border specific annex for the border Estonia- Latvia

Article 1 **Subject-matter and scope**

1. In accordance with Article 4 of the Allocation Rules regional or border specificities may be introduced for one or more Bidding Zone borders.
2. The following Articles of Allocation Rules are not applicable for Estonian – Latvian border: Art. 11, Art. 33, Art. 34(5c), Art. 36(3d); Art. 38 – 40; Art. 41-44, Art. 46, Art 49(1b, c); Art 53-54; Art. 63(3-5), Art 64 (3b, 3c, 5a).
3. In deviation to Art. 10(1), Article 15; Art 22 (1); 27 (2); Art 28 (1); Art 35(3), (5a); Art 47 (2); Art 63 (1,3); Art 64 (1, 3a) of the Allocation Rules, the following border specific rules (Border Rules, as defined in Paragraph 5 of this document) are applied to the Estonian Latvian border:

3.1 The PTRs-limited (as defined in Paragraph 5 of this document) may be acquired at the Auctions by the Registered Participants only. In order to be eligible to participate in the Auctions, a Registered Participant must correspond to the conditions stated in the definition of a “Registered Participant”, including being registered with Allocation Platform in accordance with these Border Rules, and must provide the Allocation Platform with the Collateral according to the terms specified in these Border Rules.

3.2 (*Article 10(1)*) By the signature of the Participation Agreement the Registered Participant warrants that:

3.2.1 It has acquired rights to trade electricity in the Estonian, Latvian and/or Lithuanian Bidding Zones of the Nord Pool Spot Elspot trading platform.

3.3 (*Article 15*) The Allocation Platform may refuse to enter into a Participant Agreement with a Registered Participant in the case the warranty of the Registered Participant under paragraph 3.2 of these Border Rules are found to be not valid or false.

3.4 (*Article 22 (1)*) Collaterals in the form of a Bank Guarantee shall be valid for the minimum periods as follows:

- (a) for product(s) with a duration of more than one month, until at least three (3) month after the end of each next calendar month within the Product Period(s);
- (b) for product(s) with a duration of one month, until at least three (3) month after the end of the Product Period(s).

3.5 (*Article 27 (2)*) Each Registered Participant fulfilling the requirements for participating in the Auction may place Bids in the Auction via the submission of the Bid Sheet. The Bids must be submitted to Allocation Platform in a password protected encrypted Bid Sheet in format required by the Allocation Platform.

3.6 (*Article 28(1)*) The standard Forward Capacity Allocation timeframes, subject to product availability, are defined as follows – Auction Timeframe(s):

3.6.1 yearly timeframe: it starts on the first day and ends on the last day of a calendar year; (Year - is a calendar year, i.e. the period starting at 00:00:00 CET of the first day of a calendar year and ending at 23:59:59 CET of the last day of the same calendar year)

3.6.2 quarterly timeframe: it starts on the first day and ends on the last day of a quarter (3 month) (Quarter - is a period of three Month, i.e. the period starting at 00:00:00 CET of the first day of the first Month and ending at 23:59:59 CET of the last day of the third Month); and

3.6.3 monthly timeframe: it starts on the first day and ends on the last day of a calendar month (Month - is a calendar month, i.e. the period starting at 00:00:00 CET of the first day of a calendar month and ending at 23:59:59 CET of the last day of the same calendar month).

3.7 Maximum volume of one Bid per Participant is 33% of the Auction Capacity and maximum volume for the sum of all Bids per Registered Participant may not exceed Auction Capacity.

3.8 (*Article 47(2)*) The Allocation Platform shall inform by sending respective Rights Document to all Registered Participants of the results of the allocation of the PTRs-limited not later than at 18:00 CET on the Closing Date by e-mail, using the contact details of the authorised representative of the Registered Participant provided by that Registered Participant in the Bid. The Rights Document must contain the following information, which must be presented in unambiguous manner:

3.8.1 the Auction Timeframe (respective Month, Quarter or Year);

3.8.2 the number of PTRs-limited allocated (in MW) to the respective Registered Participant.

3.9 (*Article 35(5a)*) The Cross Zonal Capacity available for the Bids, which set the Marginal Price shall be divided proportionally to their Bid Capacities.

3.10 (*Article 63 (1)*) In the result of an Auction, the Parties shall have mutual claims arising in connection with the issued PTRs-limited in accordance with Border Rules: a Participant shall be obliged to pay the Marginal Price to Allocation Platform regarding each PTR-limited allocated to the respective Registered Participant, and Allocation Platform shall be obliged to pay the Redemption Price to a Registered Participant regarding each PTR-limited allocated to the respective Registered Participant. Such mutual claims shall be settled by the way of set-off of claims:

3.10.1 Allocation Platform shall pay to the Registered Participant the difference between the Marginal Price and the Redemption Price, if the Redemption Price is higher than the Marginal Price; or

3.10.2 The Registered Participant shall pay to the Allocation Platform the difference between the Redemption Price and the Marginal Price, if the Purchase Price is higher than the Redemption Price; or

3.10.3 The Registered Participant shall pay to the Allocation Platform the whole Marginal Price, if the Redemption Price is 0 EUR (zero euros); or

3.10.4 None of the Parties shall pay to each other, if the Redemption Price and the Marginal Price is equal.

3.11 (*Article 63 (3)*) The mutual claims shall be automatically set off as at the last date of each Month of each Auction Timeframe, irrespective of the date of the notice of set-off.

3.12 (*Article 64 (1)*) Within 5 business days after the end of each Month of each Auction Timeframe, Allocation Platform shall send to a Registered Participant holding allocated PTRs-limited for such an Auction Timeframe an overview of the mutual claims of the Parties as of the last day of that Month and a notice of set-off of the claims to the greatest possible extent, indicating the outstanding claim of either Party.

3.13 (*Article 64 (3a)*) A Party who has the outstanding claim against the other Party after the set-off of mutual claims in accordance with point 3.10 of the Border Rules shall promptly issue an invoice to the other Party for the outstanding balance.

4. This Annex is effective at the date of entry into force of the Allocation Rules subject to a regulatory approval. This annex may be reviewed yearly by the National Regulatory Authorities.
5. The capitalised terms used in this annex are defined in the harmonised Allocation Rules to which this annex is attached unless otherwise specified below:

Border Rules	Border specific annex: for the PTR-limited auctions on Estonian - Latvian border
Allocation Platform	in the case of Estonian-Latvian border it is the body which performs PTRs-limited Auction services on behalf of Elering and AST. Functions of the Allocation Platform are performed by a designated Allocation Platform agreed by Elering and AST on the basis of a bilateral agreement between Elering and AST.
PTR-limited	“PTR-limited” is a limited physical transmission right jointly issued by Elering and AST based on the Auction Capacity and subject to the redemption (sellback) obligation which is automatically attributed to a PTR-limited and to which the conditions of “Financial Transmission Rights Option” apply. PTR-limited is denominated in MW with the precision of up to 1/10 MW (one tenth of a MW); 1 PTR-limited corresponds in terms of its economic value to the auctioned Auction Capacity for a period of 1 hour in the volume of 1 MW. PTR-limited shall not at any time give a right to the Registered Participant to use the auctioned Auction Capacity for physical transfer of the electricity. PTR-limited is allocated in dematerialized form in accordance with these Border Rules and shall not be registered in any register of securities or financial instruments. The PTR-limited is not transferrable and may not be pledged or encumbered in any other way.
Registered Participant	is a company which: (1) has obtained the rights to trade electricity in Estonian, Latvian and/or Lithuanian bidding zones; and (2) is a member on the NPS trading platform; and (3) is registered as a Registered Participant by Allocation Platform in accordance with these Border Rules
Bid sheet	is a document prepared in the form stipulated in the Auction Specification, in which the Participant indicates its Bid(s) in accordance with these Border Rules.
Auction Capacity	is the maximum volume of the capacity expressed in MW for which PTRs-limited are made available for Bidding by Allocation Platform in the course of an Auction and which is announced by the Auction Specification; the auction capacity is firm with the exception for the case of Force Majeure.
Elspot	is a day-ahead implicit auction market where electricity and transmission capacity is traded for the delivery during the next day, operated by NPS.
NPS	is Nord Pool Spot AS, the operator of the day-ahead and intraday electricity market in Estonia and Latvia and in the entire Nordic/Baltic region.

Auction Timeframe	is the Month, Quarter or Year for which a particular Auction is being held.
Year	is a calendar year, i.e. the period starting at 00:00:00 CET of the first day of a calendar year and ending at 23:59:59 CET of the last day of the same calendar year.
Quarter	is a period of three Month, i.e. the period starting at 00:00:00 CET of the first day of the first Month and ending at 23:59:59 CET of the last day of the third Month.
Month	is a calendar month, i.e. the period starting at 00:00:00 CET of the first day of a calendar month and ending at 23:59:59 CET of the last day of the same calendar month.
Redemption Price	is the amount payable by the Allocation Platform for the redemption of 1 PTR-limited allocated to a Registered Participant. The Redemption Price is equal to the price difference between the Estonian and Latvian bidding areas of NPS at the Elspot market in the direction Estonia to Latvia for the respective hour of the respective day during the respective Month, Quarter or Year of the respective Auction Timeframe.