Finnish Gas Market Opening info session
30.9.2019

Program

9:30–10:00  Coffee

10:00–12:00  New TSO Gasgrid Finland’s operation starting 1st Jan 2020
Olli Sipilä, Finnish Gas Transmission Services

Registration as a Market Participant and connecting to data exchange
Ville Rahkonen and Tiina Niinimäki, Gasum TSO

Procurement of balancing services
Leena Sivill, Gasum TSO (Hansen Technologies Finland)

Estonia–Latvia balancing zone development
Jānis Eisaks, Conexus Baltic Grid

Preparation of legislation
Arto Rajala, TEM

Approval process of the retail market terms and conditions
Kimmo Siira, Finnish Energy and Meri-Katriina Pyhäranta, Energy Authority
Finnish Gas Market Opening info session
30.9.2019

12:00–13:00  Lunch

13:00–14:30  GET Baltic gas exchange in Finland
Gintaras Buzkys, GET Baltic

Verotus avomella kaasumarkkinalla / Taxation in the open gas market (in Finnish)
Antti Saastamoinen, Verohallinto / Tax Administration

Closing words
Olli Sipilä, Finnish Gas Transmission Services
New TSO Gasgrid Finland’s operation starting 1st Jan 2020

Olli Sipilä
30.9.2019 Finlandia Hall
Reliable, cost-efficient, customer-focused and transparent transmission platform

Supporting energy transformation with access to new markets and innovations
TSO demerger is proceeding according to the plan

Gasgrid Finland Oy operations start 1st of January 2020

Fin-Baltic Market development

Stakeholder cooperation
New office location in the Capital Region

Keilaranta 19
Registration as a Market Participant and connecting to data exchange

Ville Rahkonen and Tiina Niinimäki, Gasum TSO
REGISTRATION AS A MARKET PARTICIPANT

For further information see: *Gas Market Code and Information Exchange Guidelines* at kaasumarkkina.fi
Delivery of gas requires two products:

- **Gas energy** - certain amount of gas
  - Gas exchange
  - Bilateral trading (OTC)

- **Capacity** - the right to transfer the amount of gas
  - Directly from the TSO (primary market)
  - From another shipper as a capacity rights transfer (secondary market)
UPCOMING WORKSHOPS AND INFOS

7.10.2019  **Info session about data exchange in Finnish open gas market**  
Innopoli 3, Vaisalantie 6, Espoo and skype,  
sign-up: ville.rahkonen@gasum.com

Oct 2019  **Re-gasified natural gas from an LNG facility in market rules (in Finnish – material in English)**  
Helsinki metropolitan area and skype,  
sign-up: ville.rahkonen@gasum.com
Kaasumarkkinat avataan 1.1.2020

Sivusto toimii järjestelmävastaavan siirtoverkon haltijan informaatiokanavan Suomen kaasumarkkinojen avaamiseen liittyvissä asioissa.

Avoimen kaasumarkkinan valmistelu

Implementation and launch of data exchange and IT systems in open gas market in Finland

Tiina Niinimäki, Gasum TSO
The Transmission System Operator with System Responsibility has information:

- amount of gas and its owner per gas day
- available, ordered and used Capacity: Imatra, Baltic Connector, Exit Zone and Biogas
RETAIL MARKET

- Maintain master data of distribution networks structure and information of each points.
- Maintain validated metered quantities in normal cubic meters from each daily reading meter points and biogas Injection Points.
- Maintain area information for Calorific values so that energy is calculated right way.
- Results of residual per distribution network

- Measured data of City Gates
- Calorific values of Natural Gas
- Maintain system
- Fetch results of gas day: Shipper’s delivered gas per distribution network per retailer and delivered gas into the network

- Results of validated gas energy (kWh) per gas day per end user metering point
- Calorific values of Natural Gas used in calculation
- Energy amount per distribution network
- Own end points
- Way to inform to be retailer in end point
- Codes and Addresses of all end points
• Capacity booking and capacity rights transfer
• Nomination / renomination
• Trade notification
• Notify to be as Balance Responsible or member
• If being balance responsible maintain Balance Group members information updated
• To accept and end relationship when being shipper for end user, retailer, biogas injection party
• Balancing data

• Send Trade notification
• Notify to be Balance Responsible or member
• Balancing data

Notify delivery relationship with Shipper
Measurement data
Gross calorific value of natural gas

• Accept ordered capacity
• Match, handle by the rules (pro rata) and send Accepted nomination called nomres
• Measured data and give estimates (non daily reading meters)
• Responsible of Balancing in the Finnish Gas System
• Maintain information about the expected Capacity limits at a given Entry or Exit Point at any time in respect of firm and interruptible Capacity
• Notify imbalance forecast: green and yellow zone
• Charges, compensation

Notify delivery relationship with Shipper
Measurement data
Gross calorific value of natural gas

Notify delivery relationship with Shipper
Measurement data
Gross calorific value of natural gas

Notify delivery relationship with Shipper
Measurement data
Gross calorific value of natural gas
HOW TO USE NOMINATION-PROCESS AT ENTRY AND EXIT POINTS

TRANSMISSION SYSTEM OPERATOR WITH SYSTEM RESPONSIBILITY HAS INFORMATION:
- amount of gas and its owner per gas day
- available, ordered and used Capacity: Imatra, Baltic Connector, Exit Zone and Biogas

FILL NOMINATION FORM IN GRAPHICAL INTERFACE OR CONNECT TO THE REST/API ENDPOINT

TRANSMISSION SYSTEM OPERATOR WITH SYSTEM RESPONSIBILITY:
- Edig@s 5.1 XML NOMINT NOMRES ACKNOW
- Integration Platform: Matching, lesser rules, Accept nomination

SHIPPER OPTIONS:
- HTTPS
- AS4
HOW TO USE TRADE NOTIFICATION

Transmission System Operator with System Responsibility has information:
- amount of gas and its owner per gas day
- available, ordered and used Capacity: Imatra, Baltic Connector, Exit Zone and Biogas

Shippers and Traders

Fill trade notification form in graphical interface or connect to the REST/API endpoint

• HTTPS
• AS4
• Edig@s 5.1 XML
• NOMINT
• NOMRES
• ACKNOW
Thank you very much for your attention. If you have any questions do not hesitate to ask and send email to info@kaasumarkkina.fi

We are glad to have those questions before next Monday 7th of October.
Contracting of Balancing Services

2019-09-30
PURPOSE OF BALANCING SERVICES

For operational balancing of transmission system in the following cases:

1) **Within-day** under unexpected events (Note: other than commercial imbalance, where trades in the gas exchange serves as the primary instrument)

2) **1 to 3 days before the gas day** to ensure sufficient pressure in the transmission system according to forecasted supply situation

3) **Disturbance and emergency situations** to minimise impact on the market and enable reliable supply
WHO MAY PARTICIPATE IN THE PUBLIC TENDERING PROCESS

• Market participants registered as shippers in the Finnish system

• Allowed points / zones:
  • Imatra entry point
  • Balticconnector entry and exit point
  • End-use connected to the transmission or distribution grid (conditions apply)
  • LNG entry point (when connected)
## BALANCING SERVICE PRODUCTS

<table>
<thead>
<tr>
<th>Feature</th>
<th>Specifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Period</td>
<td>Gas month</td>
</tr>
<tr>
<td>Max. number of call days during the Product Period</td>
<td>To be defined by the TSO in the Call for Tender</td>
</tr>
<tr>
<td>Call Lead Time</td>
<td>No less than 3 hours before activation</td>
</tr>
<tr>
<td>Bid size</td>
<td>At minimum, 10 MWh/h at flat rate through the entire Product Period</td>
</tr>
<tr>
<td>Pricing</td>
<td>Capacity charge* (EUR/MW) and commodity charge** (EUR/MWh of activated energy)</td>
</tr>
</tbody>
</table>

* TSO pays for all Contracted Bids in the Product Period
** TSO pays for / receives remuneration from activated bids
CONTRACT AWARD PROCESS AND MERIT ORDER

Contract award process

• TSO will accept as many bids as are required to fully meet the system balancing requirements specified in the corresponding Call for Tender.

• Bids are contracted in the order of the lowest Projected Cost in EUR/MWh that includes capacity and commodity charges. Bids for System Buy and System Sell are contracted separately.

Merit order

• TSO will activate Contracted Bids in the order of their commodity charge in EUR/MWh.

  • System Buy is activated in the order of the lowest cost.

  • System Sell is activated in the order of the highest price.

  • In case of an event, that affects availability, TSO will disregard such Contracted Bids from the merit order that are not available at the time of activation.
FIRST CALL FOR TENDER TO BE PUBLISHED IN NOVEMBER
INTEGRATED ESTONIAN-LATVIAN BALANCING AREA
• Long-term target – common market of four countries
• Aim of common gas market:
  • Increased competition among suppliers
  • Non-discrimination of supply routes
  • No tariffs on internal borders of integrated market area (Kaksi, Korneti, Balticconnector) and IP with storage
  • Tariff transparency, predictability and reduced tariff system complexity
  • Single point of contact via implementation of Central IT platform
  • Local goal - more convenient use of storage

From 2020 common entry tariff zone will be created for Finland, Estonia and Latvia
• As of 2020 EE and LV create a single balancing area
  • Common GTC and balancing rules
  • «Contracting TSO» principle – by signing of the agreement with either Conexus or Elering – access to both LV and EE transmission systems
  • Imbalance position calculation for whole balancing area
  • Option to pass balance responsibility to other party
  • Single VTP
  • Implementation of Central IT platform for communications with market participants

• As of 2020 Finland as separate balancing area with its own set of GTC, balancing rules etc. Decision regarding integration with EE-LV balancing area from 2022 to be taken by FI

• Balticconnector – capacity not commercialised, capacity booking via nomination, strict capacity anti-hoarding measures in place
REGULATORY DIMENSIONS: TARIFFS

- Regionally coordinated decisions
  - Single set of entry tariffs on external borders
  - Entry tariff period and review
  - Redistribution of the entry revenue (ITC) among TSOs operating in integrated tariff area

- National decisions
  - Setting of TSOs allowed revenue
  - Exit tariff to distribution system (retail market)
  - Exit tariffs on external borders – decision taken by NRA of the state where exit IP is located

- Wholesale market merger
- Entry tariffs - post stamp
- Method of reference price setting - Benchmark
STORAGE IN INTEGRATED MARKET AREA

- Total (design) volume 4.4 BCM, active gas 2.3 BCM, cushion gas 2.1 BCM
- Max withdrawal capacity 30 MCM/day
- Max injection capacity 17 MCM/day
- 180 wells: 93 operation wells
- The area of gas deposit ~ 22-25 km²
- Operation pressure min 24 bar; max 105 bar
- Currently – w/d capacity dependent from the volume of active gas
• Capacity booked for one or more full storage cycles
• Use of the storage implemented via nomination through VTP with following confirmation by operator
• + Booking of storage capacity by submission of nomination for injection
• Renominations are allowed within the gas day (whole day, not on hourly basis)
• In case of congestion, allocation is proportional to unused capacity of firm storage products

• The improvements foreseen
  • Adjustments in offered product portfolio, potentially extending with the products of firm scheduled injection and withdrawal
  • Amendments to the rules of the use of storage
  • Investment program with support of EU ongoing in order to mitigate the effects of the storage curve
CONCEPT OF

«CONNECTING TSO»

• One set of agreements for the use of transmission system and balancing with the TSO of free choice (it is required to conclude the new agreement for operations in integrated EE-LV balancing area)

• All transmission system services in integrated balancing area available on Central IT platform

• Settlement for capacity and imbalances with Connecting TSO only

• Connecting TSO is responsible for rectification of issues with the use of integrated infrastructure

• Responsibility towards States Customs offices stays with the owner of the gas

• Separate agreements:
  • for the use of the storage – with Conexus Baltic Grid (existing agreements will be valid)
  • for the use of Finnish and Lithuanian transmission systems – agreements with respective TSO
IT PLATFORM

- Two user interfaces – interactive and AS4
- EDIG@S 5.1 based messaging system
- (Almost) all processing of messages is done in TSO systems
• GTCs and balancing rules approved by:
  NRA of Estonia – on September 30, 2019,
  NRA of Latvia – mid October, 2019
• Start of capacity booking for transitional gas
  year 2020:
  from November/December 1, 2019
• New transmission/balancing agreements to
  be signed with NUs:
  before December 31, 2019
• Existing transmission agreements gradually
  expire
• Existing storage contracts does not change
• Start of operations of integrated balancing
  area of Estonia and Latvia:
  from 7.00 (EET) January 1, 2020
• Submission of nominations for the January 1,
  2020:
  by 13.00 (UTC) December 31, 2019
• Due to the diverging views on the principles of the design of Inter-TSO compensation mechanism, LT obtaining from the first stage of integration

• Work on solutions, involving DG ENER, are still ongoing

• Current vision – mutually acceptable long term solution to be found for implementation from January 1, 2022
THANK YOU!

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janis.eisaks@conexus.lv
State of Legislative Actions

Finnish Gas Market Opening Info Session
30 September 2019

Arto Rajala
Ministry of Economic Affairs and Employment / Energy Department
Energy and Climate Actions in the Programme of Prime Minister Antti Rinne’s Government 2019

- Carbon neutral Finland in 2035
  - Pitko -follow-up report, extensive strategy work
- Containment on electricity distribution prices
  - GB during the autumn 2019
- Flexibility in the power system, potentiality of smart grids and demand response
  - GB 2020
- Industry-specific road maps to low carbon future
  - Ongoing until the spring 2020
- Accelerating the decommissioning of coal
  - 30/30/30 Me in 2020-22 budgets, Government Decree during the autumn 2019
- Broad-based Working Group on Peat
  - Will start later
- Fostering renewable energy sources
  - Implementation of RED2-directive by 06/2021
- Fostering biofuels in transportation
  - Several actions regarding distribution obligation, air service, distribution infrastructure, etc.
- Biogas programme
  - Will start later
- Fostering energy efficiency
  - Implementation of EED-directive by the autumn 2020
Key Legislative Actions in energy markets during the Parliamentary Period of 2019-2023

1) Containment on electricity distribution prices

2) Amendments in the Strategic Power Reserves Act necessary to EU Electricity Market Regulation

3) Amendments in the Natural Gas Market Act necessary to establishment of the Gas Data Hub

4) Amendments in the electricity market legislation necessary to EU Electricity Market Directive and Regulation including proposals by the Working Group on Smart Grids

5) Amendments in regulation on electricity contracts and retail market including enabling of supplier centric business model

6) Amendments in the Natural Gas Market Act necessary to amendments in Gas Directive

Strategic terms in the Government Programme:
- Carbon neutral Finland that protects biodiversity
- Dynamic and thriving Finland
Key Legislative Actions during 2019-2021

- Containment on electricity distribution prices
- Amendments in the Strategic Power Reserves Act
- Government Decree on Gas Balance Settlement and Measurement
- Amendments in the Natural Gas Market Act regarding Gas Data Hub
- Amendments in the Natural Gas Market Act (Gas Directive amendments)
- Ministry Decree on Separation of Business Activities in Gas
- Government Decree on Electricity Market
- Amendments in the electricity market legislation (Clean Energy Package and smart grids)
- Amendments in the Strategic Power Reserves Act
- Government Bill to the Parliament/Decree in the Government meeting
- Entry into force
Government Decree on Gas Balance Settlement and Measurement

- Includes provisions on balance responsibility, balance settlement and information exchange as well as measurement based on Gas Market Rules established in the workshop process
- Provisions on gas injections from LNG terminals have been added after workshop process
- Expected adoption of the Government in next week
- Entry into force in 1 Jan 2020
Ministry (MEE) Decree on Separation of Business Activities in Gas

- Includes provisions on separation in accounts for business activities in gas
- Only minor amendments in current provisions
- Currently in consultation up to 18 Oct 2019
- Expected adoption of the Minister for Economic Affairs in November 2019
- Entry into force in 1 Jan 2020
Amendments in the Natural Gas Market Act regarding Gas Data Hub

- **Government bill will include**
  - Provisions for establishment of the Gas Data Hub
    - Provisions due to the GDPR
    - Obligation to use the Data Hub services in information exchange between retail suppliers and DSOs
  - Provisions will be mainly copypasted from provisions for the Electricity Data Hub, however a lot of elimination will be done
  - Repeal of provisions incompatible with the BAL Network Code

- **Consultation will start in two weeks**

- **Expected adoption of the Government Bill in November**

- **Entry into force in 1 Jan 2020 or asap after that**
Amendments in the Natural Gas Market Act regarding the amendments in Gas Directive

• The Natural Gas Market Act already covers the main principles of the amendments in Gas Directive
  • Technical amendments necessary to adopt in the national legislation
• Expected adoption of the Government Bill in Q1/2020
• Entry into force in Q2/2020
Thank you!

Additional information:
Ministerial Counsellor Arto Rajala,
tel. +358 29 506 4828
Approval process of the retail market terms and conditions

By: Kimmo Siira
Finnish Energy
Suomen kaasuniirtopalvelut
Helsinki 30.9.2019
Finnish Energy in a nutshell
We represent Finnish energy

Personnel

37
Finnish Energy

15
Adato Energia Oy

The energy sector employs

about 15,000 people

268
members

60
cooperation members

Over EUR 2 billion
in annual investments

about 40%
of all investments by industry
Adato – refining energy-related information

Adato Energia Oy promotes the efficiency and renewal of the operation of Finnish energy companies by organising timely training courses and events and by providing information services in support of our client companies’ operations.

Energy-sector training and seminars
- 6,000 participants / year
- 1,200 expert lecturers
- At more than 20 localities each year
- Classroom & online teaching and webinars

Information services
- District heat extra
- Electricity network extra
- Energy products for end customers

Customer communications
- Electronic customer communications – internet and social media
- Customer magazines online/print
  - 720,000 customer magazines sent to home addresses
  - 150 articles per year
- Energy news

Other publications
- Sector agreements and guidelines
- Textbooks

Customer surveys of energy companies
Gas market operations and procedures
Finnish Energy and its gas advocacy processes:

- Finnish Energy has established its gas market advocacy operations late 2018
- Gas market advocacy are based committee that discuss on gas related interests and policy issues including market operations, common rules and regulations, taxation etc.
  - Committee has 11 members,
    - 9 from different types of corporations and 2 from Finnish energy
    - 1 meeting/ month for the specific group
  - Actively participating and contributing to different ministry working groups on legislation issue, taxation, best practices etc.
  - Negotiating DSO level agreement guidelines with Energy Authority
  - Creating a unified story among industry operators
  - EU Operations:
    - Actively working with commission’s civil servants on policy issues
    - But also through EU organizations
      - GEODE
      - Eurelectric
<table>
<thead>
<tr>
<th>Committee</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of directors:</td>
<td>Overall direction for the organization</td>
</tr>
<tr>
<td>Market commission:</td>
<td>Final decision-making body for all energy market related issues</td>
</tr>
<tr>
<td>Gas market committee:</td>
<td>Gas related issues and strategy</td>
</tr>
<tr>
<td>Ad Hoc gas working groups:</td>
<td>Agreements and guidelines, taxation</td>
</tr>
</tbody>
</table>
DSO level agreement guidelines with Energy Authority

• We are talking about 3 different guidelines:
  • DSO level gas pipeline distribution’s general terms and conditions
  • DSO level gas pipeline connection’s general terms and conditions
  • Retail level gas sale’s general terms and conditions

• The process has been as follows:
  • Finnish energy established an ah hoc working group to work on the terms and conditions
    • They collected old gas market guidelines
    • Finnish energy reworked the guidelines based on new legislations and compared them to electricity side’s similar terms and conditions
  • Ad Hoc group submitted terms and conditions to market committee’s approval
  • Once they agreed on the content we submitted the regulations to Energy authority of Finland
    • We agreed to proceed as “mass approval process”
    • Round of negotiations are on going
    • We will now submit the preliminary terms to Finnish Competition and Consumer Authority’s approval
Energy future and vision
Big changes

Carbon neutrality and renewables
“Challenging because investments are made in the long term, but the operating environment changes rapidly.”

Global competition
“A market viewpoint – we must think that competition is in society’s interests. There are markets of different sizes, not only the domestic market in Finland.”

Digitalisation
“For how long will the energy companies dominate the field? Major ICT companies are coming.”
“New technological innovations change the disciplines.”

The rise of customers
“The customer’s role increases.”
“.demand more: information, they are well-informed, they want to know about emissions, to do things independently. This will become more pronounced.”
Vision
Finnish Energy is the most influential branch organisation in Finland, leading society towards a sustainable future without bias.

Big changes

- Carbon neutrality and renewables
- Digitalisation
- Global competition
- The rise of customers

Finnish Energy’s tasks

- Building a climate-neutral society.
- Improving the operating preconditions of its member companies.
- Promoting the production and use of market-based and reliable electricity and heat.
- Supporting the reform of the energy sector by producing and distributing information.

Finnish Energy
Finnish Energy’s priorities 2019

PRIORITY

ELECTRICITY MARKET IN EUROPE AND THE BALTIC SEA REGION
A common vision and advocacy in the international forums

FOCUS ON THE CUSTOMER
Energy use in future housing, enterprises and transport, highlighting the importance of energy

MARKET-DRIVEN HEATING
Ensuring an equal competitive footing for various heating methods

COMPETITIVENESS OF FINNISH PRODUCTION
Investability and ensuring sufficient capacity

LOCAL FUELS
Retaining operating preconditions and sensible taxation

LABOUR RESOURCES
Ensuring the availability of expert workforce

PRIORITIES

MINDSET 2019

The Finnish energy industry has a high profile in the global forums and contributes to the development of the electricity market in Europe and the Baltic Sea in accordance with a jointly defined vision in close cooperation with the other Nordic countries.

Our position as a forerunner in the debate on the future of energy use has strengthened interest representation and the reputation of the industry. Finland is the world’s most progressive utiliser of digitalisation in the energy market and electricity systems. Electrification in transport is growing rapidly.

The heating method is based on the customer’s choice. The position of district heat has remained strong as a result of neutral and moderate taxation. Electric heating is treated equally with other forms of heating.

Production investments are steered by the markets, and Finland’s competitive position as an investment area has significantly improved. Sufficiency and timeliness of capacity are making progress as a result of production investments and automated demand response.

The preconditions of use and the availability of bioenergy, waste and peat are safeguarded. Regulation does not restrict the availability of forest-based bioenergy.

Companies find expert and competent workforce more easily both for present and future jobs and cooperation with educational establishments is effective.

MEASURES BY FINNISH ENERGY

The proposals for measures are available in their entirety in section 3 of the results of the strategy workshop.

• Expanding the international viewpoint of interest representation and reinforcing regional cooperation.
• Creating a common, positive vision for the energy industry reflecting the consumer customers.
• Exploiting the strengthening social viewpoint to bolster the importance of energy and the sector.
• Taking the potential growth of the service market into account in interest representation.
• Being actively involved in the creation of common rules for the electrification of traffic.
• Ensuring that new production forms are promoted at market conditions.
• Guaranteeing potential opening of district heating networks & the market conformity of 2-way trade.
• Bringing electric heating to the same level with other heating forms.
• Ensuring that the prerequisites of network infrastructure business (district heating, electricity networks) are maintained.
• Lobbying in order to revitalise the emissions trading market.
• Debating and defining the energy industry policies in relation to the capacity market.
• Lobbying for the processing of carbon sinks to accept the use of Finnish forest energy.
• Ensuring that a system operator’s responsibilities are in line with the economic operating preconditions.
• Supporting companies in organising cooperation with educational establishments.
• Ensuring that the national educational provision meets the needs of the industry.
This is how we do it

We undertake a reform in the energy industry in a responsible way and renew ourselves in the same process.

We carefully listen to the needs and wishes of current and new members.

We build partnerships transparently, are inspired by cooperation and have a broad understanding of different stakeholders.

We carry out policy advocacy in an expert and professional way, utilise the latest knowledge and are competent in the use of communication channels.
Personnel
Thank you

Kimmo Siira
Executive Senior Advisor
Finnish Energy
kimmo.siira@energia.fi
Phone: +358 40 648 3839
Approval process of the retail market terms and conditions

30.9.2019
Meri-Katriina Pyhäranta

Fair energy
Energy Authority’s approval process

- Review of the draft terms and conditions ongoing
- Final version of the documents by the end of October 2019
- Request to adopt the common terms and conditions to the Energy Authority by 15 November 2019
- A single decision from the Energy Authority by the end of November 2019
- A separate confirmation process for those companies that are not willing to adopt the common terms and conditions
  - A request to approve and confirm individual terms and conditions as soon as possible to the Energy Authority > cannot be guaranteed that the decision is given before the beginning of next year
- Approved terms and conditions to be informed to customers at least 30 days before their entry into force (MML 78§)
Baltic Gas Exchange

One trading platform for One Finnish - Baltic Gas Market

Gintaras Buzkys
Chief Business Development Officer

Shipper-info event about Finnish open gas market
30th September 2019 (Helsinki)
GET Baltic at a glance

**History:**
- 2012 Established by „Lietuvos Dujos“ AB and “Gasum” Oy
- 2017 Market areas in LV and EE launched establishing Regional Gas Exchange
- 2017 Implicit capacity allocation services launched at IPs between the Baltic States
- 2017 Baltic Gas Spot Index (BGSI) for the region and separate VTPs introduced
- 2018 Market maker’s program introduced
- 2020 launching of FI market area establishing Regional Gas Exchange for Baltic-Finnish Gas Market together with ICA service at IP between FI and Baltics

**EU regulation:**
- OMP status provided by ACER
- Regulated by ACER and Baltic NRA’s

**Services provided:**
- Administration of the Baltic Gas Exchange
- Implicit capacity allocation between the Baltic States
- Baltic Gas Spot Index (BGSI) publication
- REMIT and UMM data reporting to ACER
Market dynamics

Towards higher liquidity and Price convergence
Trading volumes

Yearly volumes 1)

1) updated on 30.09.2019

- Traded volumes, GWh
- Traded volumes (forecast), GWh
- Number of transactions
- Number of transactions (forecast)
Key liquidity figures

Exchange Market Share vs. Baltic Gas Demand

- Liquidity concentration via ICA model
  - 2017: 1%
  - 2018: 3%
  - 2019: 7%

Average bid-offer spread, EUR/MWh

- 2017: 1.57
- 2018: 0.75
- 2019: 0.33

Market Making program launch

Available liquidity vs. Baltic Gas Demand

- Full market opening in Lithuania

Exchange Market Share vs. Baltic Gas Demand

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019 8 months</th>
<th>2020 F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange participants</td>
<td>58</td>
<td>71</td>
<td>77</td>
<td>79</td>
<td>100</td>
</tr>
<tr>
<td>Active Participants</td>
<td>15</td>
<td>16</td>
<td>27</td>
<td>31</td>
<td>50</td>
</tr>
<tr>
<td>Market Makers</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

*until 1st June 2017 evaluated only Lithuanian gas demand and Lithuanian market are trading data.
Growing trader’s community on the Regional Gas Exchange

More counterparties, bigger chance to trade between markets
Benefits of trading on Regional Gas Exchange

- One access to Finnish - Baltic gas market
- One rulebook for trading and settlement
- More counterparties (100+ energy traders)
- One stop shop for gas trading
- One collateral for trading in all market areas
- Higher liquidity (~60 TWh regional market size)
- One virtual order book (integrated markets)
Trading principles and products

One stop shop for gas trading
Regional Gas Exchange Website

https://www.getbaltic.com/en/
Online trading system

- GET Baltic’s online trading system has been developed on Hansen Technologies Finland Oy GENERIS platform basis.

- **GENERIS** is widely used by enterprises operating in natural gas and electricity sectors in Western Europe and Nordic countries.

- The information system provides a large scale of functionality, including data management, analytics, reporting and other models.

Trading information
## Trading principles from 1<sup>st</sup> of January 2020

### Trading products and methods

<table>
<thead>
<tr>
<th><strong>Delivery</strong></th>
<th>Physical delivery of natural gas to Finnish and Baltic VTPs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Delivery period</strong></td>
<td>Gas day (takes place from day D 7:00 until D+1 7:00)</td>
</tr>
<tr>
<td><strong>Trading products</strong></td>
<td>- Within day</td>
</tr>
<tr>
<td></td>
<td>- Day-ahead (up to 30 days)</td>
</tr>
<tr>
<td></td>
<td>- Monthly</td>
</tr>
<tr>
<td><strong>Trading hours</strong></td>
<td>- SPOT (daily) market – 24h/7d</td>
</tr>
<tr>
<td></td>
<td>- FORWARD (monthly) market - from 09:00 to 16:00 (EET)</td>
</tr>
<tr>
<td><strong>Order types</strong></td>
<td>- Partial fulfilment</td>
</tr>
<tr>
<td></td>
<td>- Full fulfilment</td>
</tr>
<tr>
<td><strong>Trading method</strong></td>
<td>Continuous trading (anonymous)</td>
</tr>
<tr>
<td><strong>Capacity allocation</strong></td>
<td>Yes (for WD and DA via ICA model)</td>
</tr>
</tbody>
</table>
Trading hours from 1st of January 2020

GOT and GCT for the VTP trading for **DAILY** products:

<table>
<thead>
<tr>
<th>VTP trading</th>
<th>GOT (product opened from)</th>
<th>Product (gas delivery day)</th>
<th>GCT (product closed from)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>D-30 (07:00 h)</td>
<td>D-0 (07:00 – 07:00 h)</td>
<td>D-0 (05:30 h)</td>
</tr>
</tbody>
</table>

GOT and GCT for the VTP trading for **MONTHLY** products:

<table>
<thead>
<tr>
<th>VTP trading</th>
<th>GOT (product opened from)</th>
<th>GCT (product closed from)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>09:00 h</td>
<td>16:00 h</td>
</tr>
</tbody>
</table>

GOT and GCT for the **ICA process** on Balticconnector IP:

<table>
<thead>
<tr>
<th>ICA process</th>
<th>GOT (product opened from)</th>
<th>Product (gas delivery day)</th>
<th>GCT (product closed from)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day-Ahead</td>
<td>D-1 (10:00 h)</td>
<td>D-0 (07:00 – 07:00 h)</td>
<td>D-1 (14:00 h)</td>
</tr>
<tr>
<td>Within-Day</td>
<td>D-1 (17:30 h)</td>
<td></td>
<td>D-0 (04:00 h)</td>
</tr>
</tbody>
</table>
ICA model

Implicit allocation method is a capacity allocation method where both transmission capacity and a corresponding quantity of gas are allocated at the same time.

MARKET INTEGRATION TOOL

- Increased **liquidity**
- Increased **competition**
- Short-term **price convergence**
- **Convenient** to traders and shippers:
  - No double or triple capacity bookings at IPs
  - Capacity is allocated automatically corresponding to purchased gas volume only
Market integration via ICA model role in traded volumes

- 30% of all Day-ahead trades were traded cross-border through ICA
- 26% of all Within day trades were traded cross-border through ICA

Within day and Day-ahead traded volumes, GWh

ICA implemented to Day-ahead product
ICA implemented to Within-day product

Record amount of cross-border trade
GET Baltic offers following data reporting to ACER services for market participants:

- Reporting **data of trades executed on the gas exchange** (standard contracts) on behalf of the Exchange participants;
- Reporting data of natural gas and electricity **bilateral contracts** on behalf of the market participants;
- **Fundamental data reporting about each LNG facility** on behalf of the market participants and LNG system operators.

REMIT Data Reporting platform available at:

UMM Reporting Service

SERVICE PACKAGE:

- Possibility to make your inside information public on the UMM platform;
- Continuous reporting of messages existing on the UMM platform to the ACER Agency
- The service of storage of inside information for two years from the date when it was made public
- The possibility to view two years historical data of inside information on the UMM platform
- The possibility to download messages existing on the UMM platform in*.xlsx ir *.pdf format
- The possibility to subscribe to messages of newly delivered or amended inside information on the UMM platform
- Provision of stakeholders with information regarding the principles of reporting of inside information.

Next steps
OCTOBER

✓ Updated application forms and updated participant agreement will be published.
✓ Start of membership application procedure.
✓ Start of public consultation on Amendment of Regulation of Trading on the Natural Gas Exchange. All market participants will be invited to provide comments and opinions on amended Regulation.

NOVEMBER

✓ Upon entry into force of updated Regulation the status of the Participant to applicants who met all requirements will be granted.
✓ Signing off membership agreements.
✓ Provision of login credentials to the electronic trading system.

DECEMBER

✓ Consultations and training on trading on the Baltic-Finnish Gas Exchange.

1st JANUARY 2020

Ready to trade!
The Evolution of Finnish - Baltic Gas Hub

Path to maturity

Non-competitive market
- 2017 ¹)

Developing market
2017 ¹) - 2021

Competitive market
2022 -

Prediction

Liquid futures curve
Futures trading
Financial players enter

Brokered trading
Price indexation
Spot and Forward trading

Transparency in pricing and volumes traded
Bilateral trading
Market opening and unbundling

Early stage
Transitional
Advanced

¹) Finnish gas market will be opened and unbundled from 1st January 2020

Source: “Hubs development ‘path to maturity’” - H.Rogers (OIES)

“There are five main requirements that lead to successful trading: they are liquidity, volatility, anonymity, transparency and traded volumes”

Patrick Heather, 2015
Contact

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MAAKAASUN JA BIOKAASUN VEROTUSMENETTELYT 2020

Ylitarkastaja Antti Saastamoinen
OHJEISTUS VUODELLE 2020

- Maakaasumarkkinoiden muutos aiheuttaa muutostarpeita myös maakaasun ja biokaasun verotusmenettelyihin.


- Tämän vuoksi Verohallinto on valmistellut tarvittavan ohjeistuksen, jonka avulla verotus hoidetaan nykyisillä säädöksillä, ilman mitään lakimuutoksia, vielä vuoden 2020 ajan.

- Esittelen tässä ohjeistuksen sisällön ja pyrin avaamaan sitä vielä enemmän mitä siihen ohjeeseen on kirjoitettu.
MAAKAASU MARKKINOIDEN MUUTOKSEN TULKINTOJA 1/2

Kaasuvuorokausi alkaa ja päätyy klo 07.00.

- Valmisteverotuksessa verokausi on kalenterikuukausi alkaen ja päätyen klo 00.00. Kaasuvuorokauden ja sen jälkeen kalenterikuukausi kannalta maakaasun mittaus- ja verotusoperaatio ei ole käytettävissä valmisteverotuksen verokauden mukaisesti.

- Verohallinto hyväksyy maakaasun osalta verokauden alkavan ja päätyvän kaasuvuorokauden mukaisesti klo 07.00.

- Vuoden 2020 ensimmäinen kaasuvuorokausi alkaa 1.1.2020 klo 07.00, tällöin vuoden alku, 1.1.2020 klo 00.00 - 07.00, laskutetaan joulukuun 2019 yhteydessä.
Verotaulukossa ja Verohallinnon veronkantojärjestelmissä maakaasun vero säilyy alemman lämpöarvon mukaisena vuoden 2020 ajan.

- Verovelvollisten on itse ilmoitettava maakaasun määrä alemman lämpöarvon mukaisena.
  - Maakaasun verovelvolliset ilmoittavat itse käytön alemman lämpöarvon mukaan veroilmoituksissaan.
  - Maakaasua verollisena hankkineet loppukäyttäjät hakevat verottomasta käytöstään palautusta alemman lämpöarvon mukaisesta maakaasumäärästä.

- Ylemmän lämpöarvon mukainen maakaasumäärä muutetaan alemman lämpöarvon mukaiseksi jakamalla se kertoimella 1,1088.

- Laskuilla ei tarvitse erikseen olla merkitty maakaasun määrää alemman lämpöarvon mukaan. On huomattava, että veroilmoituksin ja palautushakemuksin käytetään tuolla kertoimella muutettua maakaasumäärää.
MAAKAASUN VEROTTOMUUDEN TOTEUTTAMINEN

- Valtuutettu verottoman varaston pitäjä ja rekisteröity käyttäjä ilmoittavat verottomaan tarkoitukseen käytetyn maakaasun suoraan verottomana kuukausittaisessa veroilmoituksessaan.

- Muut käyttäjät, jotka ostavat maakaasun verollisena, hakevat palautusta verottomaan tarkoitukseen käytetystä maakaasusta joko puolivuosittain tammi-kesäkuu ja heinä-joulukuu jaksoissa tai koko vuodelta yhdellä kertaa.
  - Palautuksen edellytyksenä on luotettava selvitys maakaasun käytöstä verottomaan tarkoitukseen.
  - Hakemus on jätettävä viimeistään 3 vuoden kuluessa hakujakson päättymisestä. Palautusta ei makseta, jos palautettava määrä on alle 330 euroa.
MAAKAASUN VEROVELVOLLISET 2020

- Maakaasun verovelvollisia ovat
  - siirtoverkonhaltija,
  - valmisteverolaissa säädetty verovelvolliset,
  - rekisteröityneet käyttäjät sekä
  - valtuutetut verottoman varastonpitäjät.

- Maakaasun siirtoverkonhaltija (TSO) luovuttaa maakaasun verottomasti rekisteröityille käyttäjille.

- Kaikille muille käyttäjille luovuttamasta maakaasusta TSO maksaan valmisteverot Verohallinnolle mittaustietojen perusteella, vähentäen sieltä näille muille käyttäjille mitätöityjen biokaasusertifikaattien määran.

4.10.2019
Ylitarkastaja Antti Saastamoinen
ERI TOIMIJOIDEN ROOLIT
VEROTUKSEN TOTEUTTAMISEKSI

- Siirtoverkonhaltija läpi laskuttaa siirtoverkon loppukäyttäjiltä ja jakeluverkonhaltijoilta maakaasuun kohdistuvat verot. Tässä yhteydessä siirtoverkonhaltija huomioi, kuinka paljon kuhunkin toimituskohteeseen/rajapisteeseen on mitätöity biokaasusertifikaatteja.

- Jakeluverkonhaltija läpi laskuttaa verot oman jakeluverkkonsa loppukäyttäjiltä.

- Jos shipper mitätöi biokaasusertifikaatteja jakeluverkkoon myydyn biokaasun osalta, tämän on yksilöitävä vähittäismyyjä ja rajapistemittaus (jakeluverkko), johon mitätöinti kohdistuu.
  - Jos shipper tai vähittäismyyjä ei ilmoita jakeluverkonhaltijalle kyseiseen verkkoon luovutetusta biokaasusta, niin jakeluverkko laskuttaa siitä kaasusta normaalin maakaasun valmisteveron.
VÄHITTÄISMYYJIEN ROOLI VEROTUKSESSA

- Vähittäismyyjä on aina velvollinen yksilöimään omassa tarkentavassa kirjanpidossaan, mihin käyttöpaikkoihin hän on toimittanut biokaasua – mitätöinti tehdään vähittäismyyjän jakeluverkkokohtaisena biokaasun toimitusmäärän summana kohdistettuna ko. rajapisteeseen.
  - Jakeluverkonhaltija saa vähittäismyyjältä tarvitsemaan erittelyn käyttöpaikkakohotaisista maakaasun ja biokaasun luovutuksista verojen läpilaskuttamiseksi jakeluverkon loppukäytäjältä.
  - Vähittäismyyjä on velvollinen toimittamaan erittelyn mukaiset tiedot jakeluverkon haltijalle, sillä jakeluverkonhaltija ei välttämättä toimi itse vähittäismyyjänä kaikille jakeluverkkoonsa liittyneille loppukäytäjille.
MAAKAASUN REKISTERÖITYNEET KÄYTTÄJÄT

- Maakaasun rekisteröityneiden käyttäjien rekisteröitymiset säilyvät vuodenvaihteessa ennallaan. Käyttäjien ei tarvitse tehdä mitään.


- Rekisteröitymisessä ei myöskään muutu mikään. Suoraan siirtoverkkoon kytkeyty maakaasun käyttäjä, jolla on maakaasun verotonta käyttöä voi rekisteröityä maakaasun käyttäjäksi.

- Jakeluverkkoihin kytkeyty maakaasun käyttäjät eivät pysty rekisteröitymään maakaasun käyttäjiksi.

4.10.2019
Ylitarkastaja Antti Saastamoinen
BIOKAASUN VEROTUS

- Biokaasu ei kuulu sähkön ja eräiden polttoaineiden valmisteverosta annetun lain soveltamisalaan. Tällöin myöskään laissa olevia korvaavuussäännöksiä ei sovelleta biokaasuun, mikä tarkoittaa biokaasun olevan verotonta kaikessa käytössä.
  - Biokaasua voidaan luovuttaa kulutukseen maakaasun siirtoverkoston kautta, mutta maakaasuvverkonhaltijan on pidettävä kirjanpitoa biokaasun määrästä erittelemiseksi maakaasusta.
  - Biokaasun kulutukseen luovutuksista ei kumminkaan tarvitse tehdä erillisiä veroilmoituksia, eikä luovutettua biokaasua sisällytetä maakaasun veroilmoituksiin.

- Mikäli biokaasua luovutetaan maakaasun ohella loppukäyttäjälle, jolla on verotonta ja verollista maakaasun käyttöä, on huomattava että biokaasua ei saa kohdistaa vain tiettyyn käyttökohteeseen vaan se on jaettava käyttöjen suhteessa.

- Biokaasu on verotonta myös liikennekäytössä, mutta on huomattava, että liikennekäytössä käytettyä biokaasua ei saa laskea mukaan ns. biopolttoaineiden jakeluvelvoitteeseen.
Siirtoverkkoon syötetyn biokaasun osalta menettelyt säilyvät ennallaan 2020, kotimaista biokaasusertifikaattia voi edelleen käyttää selvityksenä biokaasusta.

Jakeluverkkoon syötetty biokaasu katsotaan edelleen 2020 kulutetuksi siinä kyseisessä jakeluverkossa, verotuksessa sitä ei saa sertifikaateilla siirtää muualla kulutettavaksi.

Baltic Connectorin kautta siirtoverkkoon tulevalle biokaasulle voidaan myöntää biokaasusertifikaatteja, jos sertifikaattijärjestelmän ylläpitäjälle pystytään todentamaan biokaasun tuonti.

– Mitä tietoa todentamiseen tarvitaan, on vielä selvityksen alla.