

**Proposal for Rules for suspension and
restoration of market activities in
accordance with Article 36 and
Rules for imbalance settlement of
balancing energy in case of suspension of
market activities in accordance with
Article 39(1) of the Commission
Regulation (EU) 2017/2196 of 24
November 2017 establishing a network
code on electricity emergency and
restoration**

9th November 2018

AS "Augstsprieguma tīkls" (hereinafter referred to as "TSO") taking into account the following,

Whereas

- (1) Commission Regulation (EU) 2017/2196 establishing a network code on electricity emergency and restoration (hereinafter referred to as the "Regulation 2017/2196"), has entered into force on 18 December 2017;
- (2) The goal of the Regulation 2017/2196 is the development of a common set of minimum requirements and principles for the procedures and actions to be carried out specifically when in the emergency, blackout and restoration states;
- (3) This document is developed by AS "Augstsprieguma tīkls" in cooperation with transmission system operators of Republic of Lithuania and Republic of Estonia, regarding rules for suspension and restoration on market activities in accordance with Article 36 of Regulation 2017/2196 and rules for imbalance settlement of balancing energy in case of suspension of market activities in accordance with Article 39 of Regulation 2017/2196 (hereinafter "Rules");
- (4) The common Baltic Balancing market has been created on 1 January 2018 upon Agreement on the Operation and Settlement of Baltic Coordinated Balancing Area;

SUBMITS THE FOLLOWING PROPOSAL FOR RULES CONCERNING THE SUSPENSION AND RESTORATION OF MARKET ACTIVITIES IN LATVIA:

CHAPTER 1

General provisions

Article 1

Subject matter and scope

1. This document is a proposal regarding:
 - a) the principles the TSO has to follow in case it needs to suspend temporarily one or more market activities in accordance with Article 35 of Regulation 2017/2196, and
 - b) the procedure the TSO will apply for the restoration of suspended market activities in accordance with Article 37 of Regulation 2017/2196, and
 - c) the communication procedure the TSO will apply during the suspension and restoration of market activities in accordance with Article 38 of Regulation 2017/2196, and
 - d) the rules for imbalance settlement and settlement of balancing capacity and balancing energy which shall be applicable for imbalance settlement periods during which the market activities were suspended in accordance with Article 39 of Regulation 2017/2196.
2. This proposal is subject to approval by the relevant regulatory authority in accordance with Article 4(3) of Regulation 2017/2196.

Article 2

Definitions

3. For the purposes of these Rules, terms used shall have the meaning of the definitions included in Article 3 of the Regulation 2017/2196, Article 3 of Commission Regulation (EU) 2017/1485 establishing a guideline on electricity transmission system operation (hereinafter referred to as the "Regulation 2017/1485"), Article 2 of Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing (hereinafter referred to as the "Regulation 2017/2195") and Article 2 of Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management (hereinafter referred to as the "Regulation 2017/1222"). In addition, the following definitions shall apply:
 - a) "Baltic TSOs" – the transmission system operators for electricity of the Republic of Estonia, the Republic of Latvia and the Republic of Lithuania.
 - b) "TSO Control Dispatch" – a way to operate the transmission system in which TSO-connected grid users execute without undue delay the instructions issued by the TSO.

4. In these Rules, unless the context requires otherwise:
 - a) the singular indicates the plural and vice versa;
 - b) the table of contents, headings and examples are inserted for convenience only and do not affect the interpretation of these Rules;
 - c) any reference to legislation, regulations, directive, order, instrument, code or any other enactment shall include any modification, extension or re-enactment of it then in force.

Article 3 **General principles**

1. In accordance with Whereas (9) of Regulation 2017/2196, TSO should ensure the continuity of energy transactions during emergency, blackout or restoration state and only suspend market activities and market's accompanying processes as a last resort. Clear, objective and harmonised conditions under which energy transactions could be suspended and subsequently restored should be established.
2. Given the exceptional nature of situations when market activities could be suspended, the main approach is to define general principles on simple and transparent processes and to make use of existing procedures, tools and contractual arrangements.

CHAPTER 2 **TSO coordination and relevant market activities**

Article 4 **Coordination by the TSO**

1. In the event of emergency situations, in order to handle such situations in an efficient and effective manner, TSO shall decide:
 - a) upon the suspension and restoration of market activities;
 - b) upon the communication towards the external stakeholders in accordance with the communication procedures as referred to in Chapter 5 of these Rules.
2. In accordance with Article 35(5) of Regulation 2017/2196, when suspending and restoring market activities, TSO will coordinate with the following parties:
 - a) among Baltic TSOs;
 - b) with other neighbouring TSOs;
 - c) the designated and passported Nominated Electricity Market Operators (hereinafter referred to as the "NEMOs") in and other entities assigned or delegated to execute market functions in accordance with Regulation 2015/1222 within its control area.
3. In accordance with Article 36(6) of Regulation 2017/2196 TSO will assess in real-time following parameters:
 - a) the percentage of generation disconnection in the LFC area of the TSO;
 - b) the percentage of generation disconnection in the LFC area of the TSO;
 - c) the share and geographic distribution of unavailable transmission system elements in the LFC area of the TSO;
 - d) unavailability of tools and communication means to facilitate market activities.

and will take into account the time delay as allowed according to Article 36(5) of Regulation 2017/2196, prior to starting the procedure for suspension of market activities. The final decision remains at TSO before starting the suspension of market activities.

Article 5 **Market activities**

1. Article 35(2) of Regulation 2017/2196 lists the market activities that may be suspended by the TSO. For the avoidance of doubt, there is no obligation to suspend all these market activities

simultaneously, TSO has the right to decide which market activity(-ies) should be suspended according to the specific situation and for how long. TSO will decide which market activities will be suspended or not,

2. The points (a) to (e) in Article 35(2) of Regulation 2017/2196 relate to transfer of data from one entity to another:
 - a) the provision of cross zonal capacity for capacity allocation for the Single Day-Ahead Coupling and/or the Single Intraday Coupling on the corresponding bidding zone borders for each market time unit where it is expected that the transmission system shall not be restored to the normal or alert state;
 - b) the submission by a balancing service provider (hereinafter referred to as the "BSP") of balancing capacity and balancing energy bids;
 - c) the provision by a balance responsible party (hereinafter referred to as the "BRP") of a balanced position at the end of the day-ahead timeframe if required by the terms and conditions related to balancing;
 - d) the provision of modifications of the position of BRPs;
 - e) the provision of generation schedules, consumption schedules, internal commercial trade schedules and external commercial trade schedules by the Scheduling Agent referred to in Article 111(1) and (2) of Regulation 2017/1485.
3. The other relevant market activities which can be suspended as referred to in Article 35(2)(f) of Regulation 2017/2196 relate to:
 - a) the allocation of long-term transmission rights, in accordance with Chapter 3 of Regulation 2016/1719;
 - b) the organisation of the Single Day-Ahead Coupling, in accordance with Articles 44 to 50 of Regulation 2015/1222;
 - c) the organisation of the Single Intraday Coupling, in accordance with Articles 58 to 63 of Regulation 2015/1222;
 - d) the local day-ahead and intraday trading on a NEMO platform within a Bidding Zone;
 - e) the procurement of Balancing Services in accordance with Articles 29 to 35 of Regulation 2017/2195;
 - f) the publication of the balancing and imbalance prices in accordance with Article 12 of Regulation 2017/2195.

CHAPTER 3
Procedure for suspension of market activities
Article 6
General principles

1. In accordance with Article 35(1) of Regulation 2017/2196 the TSO may temporarily suspend one or more market activities when:
 - a) the transmission system of the TSO is in blackout state, in accordance with Article 18(4) of Regulation 2017/1485; or
 - b) the TSO has exhausted all options provided by the market and the continuation of market activities under the emergency state would deteriorate one or more of the conditions referred to in Article 18(3) of Regulation 2017/1485; or
 - c) the continuation of market activities would decrease significantly the effectiveness of the restoration process to the normal or alert state; or
 - d) tools and communication means necessary for the TSO to facilitate market activities are not available.
2. TSO's aim is to keep the market activities running as long as possible because they are an essential factor for normal grid operation.
3. In case TSO decides upon a suspension of one or more market activity(-ies), the different stakeholders will be immediately notified thereof following the communication procedure as described in Chapter 5 in these Rules.
4. In case of blackout state, TSO will enter in a period of TSO Controlled Dispatch arrangement during which TSO instructs, in close collaboration with other relevant system operators, consumers and generators (with and without black start services) to follow a certain set point of active and reactive power, and loads.
5. During periods of TSO controlled Dispatch market activities from the list in Article 5(2) and 5(3) of these Rules might be suspended by a decision of relevant TSO according to the Annex of these Rules.

Article 7
Roles and responsibilities

1. The relevant obligations of TSO as laid out in the Terms and Conditions of BRPs and BSPs that are foreseen in these Rules are suspended during a TSO Controlled Dispatch period or suspension of market activities, without prejudice to the respective parties' obligations under the present Rules.
2. In the framework of these Rules, it is considered that during a period of TSO Controlled Dispatch the BRP is not responsible to keep its portfolio in balance, because this could reduce the efficiency to restore the transmission grid to normal or alert state. TSO will clearly communicate from which moment the BRP is not responsible to keep its portfolio in balance and then from which moment in time the BRP will be responsible again.
3. In the framework of these Rules, it is considered that during a period of TSO Controlled Dispatch the BSP, who operates Power Generation Modules that receives set-point value instructions from TSO according to pre-agreed program, is not responsible to provide free (non precontracted) offers for balancing energy services, however if BSP decides to provide free (non precontracted) offers obligations laid out in Terms and Conditions of BSPs shall be followed.
4. In accordance with Article 25(3) of Regulation 2017/2196 each Distribution System Operators (hereinafter referred to as the "DSO") and Significant Grid User (hereinafter referred to as the "SGU") identified pursuant to Article 23(4) of Regulation 2017/2196, as well as each restoration service provider shall execute without undue delay the restoration plan instructions issued by the TSO, pursuant to point (b) of Article 23(3) of Regulation 2017/2196 in accordance with the restoration plan procedures.

Article 8
Capacity calculation and allocation

1. Notwithstanding TSO's right as mentioned in Article 5 to suspend some or all market activities in the events listed in Article 6:
 - a) TSO will try to keep providing cross zonal capacity for capacity allocation through the Single Day-Ahead Coupling and/or the Single Intraday Coupling on the corresponding bidding zone borders for each market time unit. In case it is impossible for TSO to compute cross zonal capacity according to the normal process and principles, TSO will trigger the known fall-back principles in order to deliver a set of fall back cross-zonal capacity values. These fall back cross-zonal capacities might be zero MW for all bidding zone borders and each market time unit;
 - b) The allocation of long-term transmission rights should not be affected since this allocation does not affect the system state. This market activity might be postponed to a later moment in time after consultation between the Allocation Platform and the relevant TSOs.
2. TSO which transmission system is not affected by the events listed in Article 6 of these Rules will not suspend the allocation through the Single Day-Ahead Coupling. In case of events listed in Article 6 of these Rules, TSO and NEMO(s) can, after coordination among them, apply the appropriate Single Day-Ahead Coupling fall-back procedures as defined by Regulation 2015/1222 before suspending Single Day-Ahead Coupling.
3. TSO which transmission system is not affected by events listed in Article 6 of these Rules will not suspend the allocation through the Single Intraday Coupling. In case of blackouts or emergencies, Baltic TSOs and NEMO(s) can, after coordination among them, apply the appropriate Single Intraday Coupling procedures to reduce the cross zonal capacities or to halt the allocation on the concerned bidding zone borders as long as these procedures do not deteriorate the restoration process.

CHAPTER 4
Restoration of market activities
Article 9
General Principles

1. TSO will decide upon the restoration of the different market activities. Some market activities may be restored sequentially, some can be restored simultaneously.
2. It is of common interest to restore the market activities as soon as possible. However, TSO should have sufficient confidence in the operational security before restoring the market activities and ending the phase of TSO Controlled Dispatch.
3. In accordance with Article 38 of Regulation 2017/2196 and Chapter 5 of these Rules TSO will provide updates on the process for restoration of the transmission system.
4. If possible, TSO will restore the market activities in the following order:
 - a) Single Day-Ahead Coupling;
 - b) the provision of
 - schedules referred to in Article 111(1) and (2) of Regulation 2017/1485;
 - a balanced position at the end of the day-ahead timeframe if required by the terms and conditions related to balancing by a balance responsible party;
 - modifications of the position of balance responsible parties;
 - balancing capacity and balancing energy bids by a balancing service provider, provided that volumes were procured before the start of the market suspension period;
 - c) Single Intraday Coupling;
 - d) Balancing markets;
 - publication of the balancing and imbalance prices;

5. When TSO considers that all market activities may be restored, TSO will communicate in due time or at least 2 hours before in case of TSO Controlled Dispatch before returning to normal market system operations in order to let the different stakeholders sufficient time to prepare the switch from TSO Controlled Dispatch to normal market system operations.
6. In accordance with Article 37(6) of Regulation 2017/2196, TSO shall prepare a report no later than 30 days after the market activities have been restored, containing a detailed explanation of the rationale, implementation and impact of the market suspension and a reference to the compliance with these Rules and shall submit it to the relevant regulatory authority in accordance with Article 37 of Directive 2009/72/EC, and make it available to the entities referred to in Article 38(2) of Regulation 2017/2196.

CHAPTER 5
Communication procedure
Article 10
General Principles

1. All notifications and all relevant information regarding the suspension and the restoration of market activities will be sent by TSO as soon as possible to the following entities:
 - a) DSOs connected to transmission network;
 - b) Restoration Service Providers;
 - c) BRPs;
 - d) NEMOs;
 - e) Relevant Regulatory Authorities;
 - f) BSPs;
 - g) SGUs;
 - h) Regional Security Coordinator;
 - i) Single Allocation Platform;
 - j) TSOs of the capacity calculation regions where the TSO are part of;
 - k) Other relevant entities according national regulation.
2. Regarding the Single Day-Ahead Coupling and the Single Intraday Coupling, communication procedures have been agreed between the concerned TSO and concerned NEMO. These communication messages will continue to be sent out by the concerned NEMO and/or the concerned TSO during periods of suspension and restoration of market activities. TSO will remain in close contact with the concerned TSO and concerned NEMO to discuss and decide upon the actions to be performed by the different parties.
3. In case TSO suspends certain market activities TSO will send the notification "Market suspension TSO NAME" including the following information:
 - a) The date and time that market activities have been suspended in accordance with these Rules;
 - b) Which market activities have been suspended;
 - c) Updates on the process for restoration of the transmission system;
 - d) The best estimate for the time and date for transmission system restoration;
 - e) Other information if needed.
4. All notifications shall be published on TSO's website. TSO shall inform Parties that are directly participating in the suspended market activities via email, or via any other available means.
5. TSO will send the information in due time and TSO will not assume responsibility for the good functioning of the communication channels provided by external parties when the system is in blackout state.
6. The notification "Market Restoration TSO NAME" will be sent to the same entities as mentioned in Article 10(1) of these Rules and will use the same communication channels as the "Market suspension TSO NAME" notification.
7. The notification "Market Restoration TSO NAME" will include the following information:

- a) Which market activities will be restored at which time;
- b) The notification that the market tools and communication systems from the different parties are operational;
- c) The time on day D-1 for submitting schedules, for all 24 hours of day D;
- d) The date and time TSO intends to switch from TSO Controlled Dispatch situation to normal market system operations on day D, hour H;
- e) Other information if needed.

CHAPTER 6

Rules for settlement during suspension of market activities

Article 11

General

1. In accordance with art Article 39(3) of Regulation 2017/2196 these Rules shall:
 - a) ensure the financial neutrality of TSO and relevant third party referred to in paragraph 1 of Article 39 of Regulation 2017/2196;
 - b) avoid distortions of incentives or counterproductive incentives to BRPs, BSPs and TSO;
 - c) incentivise BRPs to strive to be balanced or help the system to restore its balance, unless a situation as described in Article 7.2 of these Rules applies;
 - d) avoid any financial penalties imposed on BRPs and BSPs due to the execution of the actions requested by the TSO;
 - e) discourage TSO from suspending market activities, unless strictly necessary, and incentivise TSO to restore the market activities as soon as possible; and
 - f) incentivise BSPs to offer services to the TSO that helps restore the system to normal state.

Article 12

Applied settlement principles with BRPs and BSPs in case of balancing market suspension

1. During a period of balancing market suspension, the BRP is not responsible for keeping its portfolio in balance. This does not mean that the BRP is released from its other obligations towards TSO and other market parties. TSO will clearly communicate from which moment the BRP is not responsible to keep its portfolio in balance and then from which moment the BRP will resume responsibility.
2. During balancing market suspension TSO may employ TSO Controlled Dispatch by providing set-point values' instructions for the Power Generating Modules as well as automatic or manual load shedding procedures to consumers.
3. If TSO employ TSO's Controlled Dispatch, TSO accounts this energy, requested in TSO Controlled Dispatch, as imbalance adjustment for the affected BRPs for the volume of energy involved in TSO's Controlled Dispatch. The settlement with BSPs or BRP if Power Generating Module does not have BSP will be as followed:
 - a) For the energy volume injected to system by Power Generating Module, the TSO pays to the BSP or BRP cost-based price determined by the Power Generating Modules according to terms and conditions for BSPs and BRPs. The economic feasibility of the costs is subject to NRA's assessment according to Article 8 of Regulation 2017/2196;
 - b) For the energy volume offtaken from the system by Power Generating Module, TSO receives from the BSP day-ahead price of the relevant trading interval (hereinafter referred to as "DA price"). If DA price is not available, then average day ahead price for the last 30 days without an event (hereinafter referred to as the "average DA price") is applied.
4. During a period of balancing market suspension TSO strive towards ensuring that BRPs and BSPs are financially neutral in respect to the balancing market processes. To ensure that the following imbalance settlement process is employed:
 - a) BRPs that has energy surplus in their portfolio will sell the excess energy to TSO at DA price. If DA price is not available, then average DA price is applied;

- b) BRPs that has energy deficit in their portfolio will buy the missing energy from TSO at DA price. If DA price is not available, then average DA price is applied;
 - c) Costs/ income associated with open balance provider and other TSO costs related to system balancing will not be attributed to BRPs.
5. In order to ensure the financial neutrality of TSO in accordance with Article 39(3)(a) of Regulation 2017/2196, the difference between the sum of all energy purchase costs and the sum of all energy sales revenues for the entire period of TSO Controlled Dispatch, as described in Articles 12.4 to 12.6 of these Rules, will be taken into account when setting transmission tariffs.
 6. All costs and gains for BRPs and BSPs related to the period of balancing market suspension shall be included in a separate invoice. The invoice will be prepared no later than end of the following month.

Article 13

Applied settlement principles with BRPs and BSPs in case of TSO Controlled Dispatch or load shedding in parallel to balancing market

1. During moments of TSO Controlled Dispatch or automatic or manual load shedding while balancing market is still operational, TSO will send a notification to BRPs and BSPs with instructions to follow up, depending on the situation.
2. When TSO employs automatic or manual load shedding while balancing market is still operational, affected BRPs will be subjected to imbalance settlement procedures according to standard terms and conditions for BRPs and receive imbalance price for unconsumed energy.
3. When TSO employs TSO Controlled Dispatch while balancing market is still operational, TSO accounts energy, requested in TSO Controlled Dispatch, as imbalance adjustment for affected BRPs.
4. When TSO employs TSO Controlled Dispatch while balancing market is still operational, the settlement with BSPs or BRP if Power Generating Module does not have BSP will be as followed:
 - a) For the energy volume injected to system by Power Generating Module, the TSO pays to the BSP or BRP cost-based price determined by the Power Generating Modules according to terms and conditions for BSPs and BRPs. The economic feasibility of the costs is subject to NRA's assessment according to Article 8 of Regulation 2017/2196.
 - b) For the energy volume offtaken from the system by Power Generating Module, TSO receives from BSP DA price. If DA price is not available, then average DA price is applied.
5. In order to ensure the financial neutrality of TSO in accordance with Article 39(3)(a) of Regulation 2017/2196, the difference between the sum of all energy purchase costs and the sum of all energy sales revenues for the entire period of TSO Controlled Dispatch, as described in Articles 12.4 to 12.6 of these Rules, will be taken into account when setting transmission tariffs.
6. All costs and gains for BRPs and BSPs related to the TSO Controlled Dispatch or load shedding shall be included in a separate invoice. The invoice will be prepared no later than end of the following month.

CHAPTER 8

Contractual arrangements

Article 14

General provisions

1. In accordance with Article 18(2) of Regulation 2017/2195, the Terms and Conditions BSP and the Terms and Conditions BRP shall also include the rules for suspension and restoration of market activities pursuant to Article 36 of Regulation 2017/2196 and rules for settlement in case of market suspension pursuant to Article 39 of Regulation 2017/2196 once approved in accordance with Article 4 of Regulation 2017/2196.

2. Once these Rules are approved by the relevant regulatory authority in accordance with Article 4(3) of Regulation 2017/2196, the Terms and Conditions mentioned in Article 14(1) will be modified by TSO and submitted for approval to the relevant regulatory authority following the formal procedure.
3. In case these Rules have an impact on other contractual arrangements between TSO and any stakeholder, those contractual arrangements will be modified by TSO and submitted for approval to the relevant regulatory authority, if needed, following the formal procedure.

CHAPTER 9

Final provisions

Article 15

Implementation

1. TSO shall implement these Rules no later than 12 (twelve) months after approval by the relevant regulatory authorities.
2. Implementation of these Rules shall be subject to modifications of the contractual arrangements as described in Chapter 7 of these Rules and the related operational processes, some of which are subject to regulatory approval.

Article 16

Language

1. The reference language for these Rules shall be English. For the avoidance of doubt, where TSO need to translate these Rules to their national language(s), in the event of inconsistencies between the English version published by TSO in accordance with Article 36 of the Regulation 2017/2196 and any version in another language, the relevant TSO shall, in accordance with national legislation, provide the relevant national regulatory authorities with an updated translation of the Rules. As long as this inconsistency is being corrected, the English version of the Rules shall prevail.