

AB AMBER GRID RULES FOR NATURAL GAS TRANSMISSION SYSTEM BALANCING

CHAPTER I GENERAL PROVISIONS

1. AB Amber Grid Rules for Natural Gas Transmission System Balancing (hereinafter - the Rules) are designed to identify the principles of balancing (hereinafter - balancing), procedure and conditions of the natural gas transmission system in the natural gas (hereinafter - gas) transmission system (hereinafter - the transmission system) managed by AB Amber Grid (hereinafter - the Transmission System Operator).

2. The transmission system balancing purpose is to ensure safe and efficient operation of the transmission system.

3. The Rules are prepared in accordance with the Law on Natural Gas of the Republic of Lithuania, Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks (hereinafter - the Network Code), Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005.

4. The Rules shall regulate the rights and obligations and relationship between the Transmission System Operator, the Transmission Network Users (hereinafter - the Network Users) and other market participants trading in gas under bilateral sale and purchase contracts and (or) on the trading platform (Gas Exchange) at the Lithuanian virtual trading point (hereinafter - the market participants involved in balancing the transmission system), distribution system operators, and trading platform operator involved in balancing the transmission system.

5. The primary responsibility for gas balancing falls on market participants involved in balancing the transmission system that must offset the amount of gas off-taken from the transmission system by injecting the same amount of gas into the transmission system during the balancing period.

6. The ultimate responsibility for the balanced transmission system operation falls on a Transmission System Operator. Its justified instructions for balancing of gas flow to market participants involved in balancing the transmission system, and to distribution system operators shall be required.

7. Consumers for which supply companies deliver gas to the consumer's system shall not be involved in balancing the transmission system. A supply company shall deliver gas to these users to a delivery point provided for in the sale and purchase and service contract (s). In this case, the supply company shall be the Network User.

8. If the market participant, involved in balancing the transmission system, fails to balance the amount of gas, he pays imbalance charge to the Transmission System Operator, if a market participant involved in balancing the transmission system has caused lack of gas in the transmission system or the Transmission System Operator pays imbalance charge to him, if a market participant involved in balancing the transmission system has caused the surplus of gas in the transmission system, by applying balancing prices calculated according to the provisions of the Daily Imbalance Charge Calculation Methodology, presented in Annex 1 to the Rules, and take measures to maintain the balance in the transmission system.

9. All the transmission system operated by the Transmission System Operator shall be one balancing zone.

10. Market participants in balancing the transmission system must comply with the requirements of the Rules and enter into contracts with the Transmission System Operator in which the following balancing conditions shall be specified:

10.1. Network Users shall comply with the balancing conditions under the provisions set out in the contracts for gas transmission services;

10.2. Supply companies and other market participants in balancing the transmission system before buying and (or) selling gas must enter into balancing contracts with the Transmission System Operator.

11. The Rules shall not apply to:

11.1. Technical gas balancing between the Transmission System Operator's system and the distribution system operator's system where pressure and (or) flow control devices are not installed. Such balancing conditions shall be set in the contract between the Transmission System Operator and distribution system operator, if the law does not provide otherwise;

11.2. Balancing of the gas flow to be transmitted for technological needs of the distribution system operator if balancing conditions of such gas flow are set in the contract signed between the Transmission System Operator and distribution system operator.

12. In the event of a threat to the functioning of the transmission system and the security of the transmission system, or to the performance of any existing transmission service contracts due to the imbalance caused by the Network User, the Transmission System Operator shall be entitled, without prior notice, to restrict (discontinue) gas transmission to this Network User, and (or) in cases laid down by law, to issue binding instructions to the distribution system operator for the gas distribution restriction (discontinuance) for this Network User at the delivery points where gas is distributed to it. Gas transmission and (or) distribution restriction shall be revoked (gas transmission and (or) distribution resumed) only when the safe functioning of the transmission system is guaranteed.

13. All the definitions and terms used in the Rules, related to the provision of information, are indicated in Lithuanian time, i.e. EET (Eastern European Time) time is used for winter time, EEST (Eastern European Summer Time) time is used when daylight saving is applied

CHAPTER II DEFINITIONS

14. Definitions used in the Rules:

Reporting period means a month of gas, i.e., the period from 7:00 am on the first calendar day of any month to 7:00 am on the first calendar day of the following month.

Balancing means the offset of the amount of gas delivered into the transmission system and the amount of gas off-taken from the transmission system.

Balancing gas means gas intended to eliminate imbalances of market participants involved in balancing the transmission system during the balancing period.

Balancing period means the gas day, i.e. a period commencing at 7:00 in the morning on each day and ending at 7:00 in the morning on the following day, during which every market participant involved in balancing the transmission system must offset the amount of gas off-taken from the transmission system and the amount of gas injected to the transmission system in accordance with a contract concluded with the Transmission System Operator.

Balancing account means an account created on the website of the operator where information on the status of imbalance and other information related to the balancing in the transmission system, which the Transmission System Operator is obliged to provide in the procedure laid down by law, shall be published to market participants involved in balancing the transmission system.

Balancing service means a service provided to a transmission system operator via a contract for gas required to meet short term fluctuations in gas demand or supply, which is not a short term standardised product.

Balancing zone means an entry-exit system, which may include one or more infrastructure segments (systems) specified in part 24 of Article 2 of the Law on Natural Gas to which a specific balancing regime is applicable. The natural gas distribution system and the liquefied natural gas regasification and storage facility (both in the case of input and off-take from the transmission system) shall be one part of the balancing zone.

Imbalance means the situation in which through the balancing period the amount of gas injected to the transmission system by a particular market participant involved in balancing the transmission system differs from the amount of gas off-taken from the transmission system by this market participant involved in balancing the transmission system, or a situation where the total amount of gas injected to the transmission system differs from the total amount of gas off-taken from the transmission system through the balancing period.

Imbalance tolerance limit means the imbalance quantity of gas for which the imbalance charge is calculated by applying the weighted average price of natural gas traded on the trading platform (Gas Exchange) at the Lithuanian virtual trading point.

Daily imbalance charge means the amount of money paid or received by market participants participating in the balancing of the transmission system in respect of a daily imbalance quantity.

Gas sale and purchase contract means a bilateral contract concluded between the gas supply company and a user or system operator, or other natural gas distribution company, which allows a market participant the resale of natural gas in accordance with the procedure laid down in the Natural Gas Trading Rules, approved by the Minister of Energy of the Republic of Lithuania in November 28, 2011 Order No 1-293 "On the Approval of Rules for the Trading of Natural Gas".

Daily read metering points mean gas read metering points where remote data collection systems are installed, and where gas quantities are recorded at least once per day.

Non-daily read metering points mean gas read metering points in distribution systems where the quantity of gas is recorded less than every day.

Transmission network user (Network User) means a person who has concluded a contract with the Transmission System Operator, which supplies gas to the transmission system, or gas is supplied to him from the transmission system.

Trade in balancing gas means trade in gas seeking to offset the imbalance caused by market participants involved in balancing the transmission system.

Trading platform (exchange) means an electronic platform provided and operated by a trading platform operator (UAB GET Baltic) by means of which trading participants may post and accept, including the right to revise and withdraw, bids and offers for gas required to meet short term fluctuations in gas demand or supply, in accordance with the terms and conditions applicable on the trading platform and at which the transmission system operator trades for the purpose of undertaking balancing actions.

Delivery point means a place where the transmission of natural gas via the main pipeline ends and where gas is transferred to the Network User by a Transmission System Operator.

Marginal sell price means a lower price of gas over the balancing period among (1) the lowest gas price at which the Transmission System Operator purchased gas during the balancing period, and (or) sold on the trading platform (Gas Exchange) at the Lithuanian virtual trading point, and (2) the weighted average price of gas traded on the trading platform (Gas Exchange) at the Lithuanian virtual trading point over the balancing period, which shall be published by the trading platform operator, reduced by 10 percent. The previous day product is not used to calculate the marginal sell price.

Marginal buy price means a higher price of gas over the balancing period among (1) the highest gas price at which the Transmission System Operator purchased gas during the balancing period, and (or) sold on the trading platform (Gas Exchange) at the Lithuanian virtual trading point, and the weighted average price of gas traded on the trading platform (Gas Exchange) at the

Lithuanian virtual trading point over the balancing period, which shall be published by the trading platform operator, increased by 10 percent. The previous day product is not used to calculate the marginal buy price.

Market participants means all natural gas market participants who consume natural gas, transport natural gas and / or trade in natural gas.

Market participants involved in balancing the transmission system means transmission network users and other market participants trading in gas under bilateral gas sale and purchase contracts and (or) on the trading platform (Gas Exchange) at the Lithuanian virtual trading point (supply companies and other market participants who do not use the transmission system to transport gas).

Supply schedule means a monthly volume of gas distributed in days in the manner laid down in the gas sale and purchase contract concluded between a market participant and a supply company, or the volume of gas purchased during a shorter period, if the gas sale and purchase contract is concluded for a shorter period than one month.

15. Other definitions used in the Rules shall be construed as defined by the Law on Natural Gas of the Republic of Lithuania and other legislation regulating the natural gas sector of the Republic of Lithuania.

CHAPTER III GAS FLOWS OF MARKET PARTICIPANTS AND THEIR DETERMINATION

16. The amount of gas injected to the transmission system by a market participant involved in balancing the transmission system can be:

16.1. the amount of gas injected from gas systems:

16.1.1. the amount of imported gas;

16.1.2. the amount of gas injected from other gas systems.

16.2. The amount of gas purchased from a gas supply company under a bilateral gas sale and purchase contract and (or) on the trading platform (Gas Exchange) at the Lithuanian virtual trading point.

17. The amount of gas off-taken from the transmission system by a market participant involved in balancing the transmission system can be:

17.1. the amount of gas supplied to the consumers' systems directly connected to the transmission system and (or) gas distribution systems;

17.2. the amount of gas supplied to other gas transmission systems;

17.3. the amount of gas sold under a bilateral gas sale and purchase contract and (or) on the trading platform (Gas Exchange) at the Lithuanian virtual trading point.

18. The market participant involved in balancing the transmission system shall not cause the imbalance.

19. The amount of gas actually injected into the transmission system over the balancing period shall be determined:

19.1. By distributing gas quantities actually imported by the market participants, importing gas, in accordance with the following principles:

19.1.1. unless otherwise provided in the gas import contract, gas quantities injected during the balancing period and allocated to a market participant cannot be larger than gas quantities actually off-taken from the transmission system by the market participant;

19.1.2. if larger gas quantities were injected to the transmission system over the balancing period than under the gas import schedule, and accordingly gas quantities actually off-taken from the transmission system by the market participants were larger than gas quantities imported under the gas import schedule, the imported gas quantities exceeding the gas import schedule shall be

distributed in proportion to the market participants however, not exceeding gas quantities actually off-taken from the transmission system by these market participants and the limitations of gas import established in the gas import contract;

19.2. By assessing the information submitted about gas quantities purchased under the gas sale and purchase contracts and (or) on the trading platform (Gas Exchange) at the Lithuanian virtual trading point;

19.3. By assessing gas quantities injected from other gas systems to the transmission system.

20. The amount of gas actually off-taken from the transmission system over the balancing period shall be determined according to:

20.1. readings of gas metering devices at delivery points directly connected to the transmission system;

20.2. data provided by the distribution system operators on gas quantities off-taken by the Network Users from the transmission system to the distribution system;

20.3. information about the amount of gas sold under the gas sale and purchase contract and (or) on the trading platform (Gas Exchange) at the Lithuanian virtual trading point;

20.4. by assessing actual gas quantities delivered to other gas transmission systems.

CHAPTER IV SECURING CONTRACTUAL OBLIGATIONS FULFILLMENT

21. The Transmission System Operator shall have the right to request to submit appropriate security measures for the fulfil of all obligations under the contract and / or the Rules under the following circumstances:

21.1. The Transmission System Operator shall identify changed (increased) risk due to the imbalances of a market participant; and / or

21.2. The Transmission System Operator shall identify changed (increased) risk due to the solvency of a market participant; and / or

21.3. A market participant under the terms and conditions set out in the transmission or balancing service contract fails or delays to fulfil its obligations to pay for the balancing services; and / or

21.4. A market participant violates the basic conditions of contracts and / or Rules; and / or

21.5. Bankruptcy, restructuring, separation or dissolution proceedings are initiated in respect of the market participant; and / or

21.6. There are other circumstances (worsened financial situation, signs of insolvency in respect of other partners, and suppliers, etc.), which reasonably suggest that a market participant may fail to fulfil its obligations under the contract and / or the Rules.

22. The appropriate security measures for the fulfilment of obligations provided by the Transmission System Operator shall be an advance payment and / or bank guarantee.

23. The appropriate security measures for the fulfilment of obligations shall be recognized as duly submitted when the following conditions are met:

23.1. The minimum amount of the security measures for the fulfilment of obligations must not be less than:

23.1.1. one of the following values, whichever is greater:

23.1.1.1. 20 percent of the value of gas, which a market participant trading in gas under bilateral gas purchase and sale contracts and/or on the trading platform (Gas Exchange) at the Lithuanian virtual trading point, must deliver over the next reporting period; or

23.1.1.2. 20 percent of the value of gas, which a market participant trading in gas under bilateral gas purchase and sale contracts and/or on the trading platform (Gas Exchange) at the Lithuanian virtual trading point, delivered over the previous reporting period; and/or

23.1.2. 20 percent of the value of gas, which a market participant transporting gas plans to transport over the next reporting period.

23.2. When calculating the amount of the performance security under Paragraphs 23.1.1 and 23.1.2, the average weighted gas price in the trading platform (Gas Exchange) at the Lithuanian virtual trading point for the previous reporting period shall be used.

24. A market participant must provide additional security measures for the fulfilment of obligations in the event a minimum amount of the security measures for the fulfilment of obligations determined in accordance with paragraph 23 of the Rules increases by 10 percent.

25. If an amount payable by the market participant for imbalances caused during the current month exceeds the amount of the security measures for the fulfilment of obligations, the Transmission System Operator shall have the right to require additional security measures for the fulfilment of obligations the amount of which shall be not less than the value of gas planned to be delivered by a market participant to the transmission system in the current month.

26. Bank guarantee shall be recognized as a properly submitted security measure for the fulfilment of obligations when the following conditions are met:

26.1. The bank guarantee was issued by a bank that has a long-term foreign currency credit rating not less than Baa1 by Moody's agency, or BBB+ - by Standard & Poor's agency, or BBB+ - by Fitch Ratings agency. Where at least one credit rating agency as specified by the present paragraph has given to the bank the aforesaid long-term credit rating then it shall be considered that the guarantee issued by such a bank is appropriate.

26.2. Bank guarantee is the first demand and irrevocable guarantee.

27. Security measures for the fulfilment of obligations must be submitted not later than five business days from the date of request.

28. The period of validity of the security measures for the fulfilment of obligations provided by a market participant cannot be less than 3 months after the last reporting period during which:

28.1. it is planned to deliver natural gas to the transmission system; and / or

28.2. it is planned to transport natural gas through the transmission system.

29. Funds received by the Transmission System Operator in accordance with the security measures for the fulfilment of obligations of the market participants may be used to cover missed payments for services and / or daily imbalance charges.

30. The Transmission System Operator shall no later than within fourteen calendar days after the fulfilment of all obligations under the transmission or balancing service contract and / or the Rules waive all or part of its rights under the security measures for the fulfilment of obligations.

CHAPTER V

SUBMISSION OF INFORMATION ABOUT THE SITUATION IN RELATION TO BALANCING

31. The Transmission System Operator shall, no later than by 14:00 on the business day preceding the balancing period (s), provide information on the balancing account on the status of the market participant involved in balancing the transmission system in relation to balancing. This information shall include data available with Transmission System Operator on the market participant's total volume of gas planned to be off-taken from the transmission system through the balancing period, and the total amount of gas planned to be injected into the transmission system. This information shall be updated during a business day, at least twice within a balancing period: information shall be updated first no later than by 15:00, and the second time - not later than by 17:00.

32. If the Transmission System Operator upon receipt of updated information about gas flows of the market participant determines that the gas quantity planned to be off-taken from the transmission system by a market participant involved in balancing the transmission system differs

from gas quantities planned to be injected into the transmission system and this may cause imbalances, it shall immediately, after the receipt of such information, inform the market participant on its balancing account about the potential imbalance.

33. The Transmission System Operator, no later than the business day following the balancing period (s), in the balancing account shall provide the information on the initial daily imbalance of the market participant involved in the balancing of the transmission system. The Transmission System Operator in the balancing account shall provide information on the final daily imbalance of a market participant involved in the balancing the transmission system no later than 10 calendar days after the end of the reporting period.

CHAPTER VI

SUBMISSION OF INFORMATION REQUIRED FOR BALANCING THE TRANSMISSION SYSTEM

34. The information model base case, determined in Network Code, is applied in Lithuania, i.e. the model for information provision where the information on non-daily metered off-takes consists of a day ahead and within day forecasts.

35. Network Users shall submit to the transmission system operator nominations for the quantity of gas for each balancing period at points of entry to and/or exit from the transmission system.

36. Supply companies are required to provide a Transmission System Operator with information about the amount of gas sold under bilateral sale and purchase contracts and concerted gas supply schedules for each market participant who is purchasing gas, under the following terms:

36.1. Initial monthly supply schedule - not later than 5 calendar days before the start of the next month;

36.2. Revised delivery schedule for the balancing period and subsequent days – by 13:00 on the business day preceding the balancing period (s);

36.3. Final delivery schedule - within one business day after the balancing period (s).

37. If the supply company fails to provide delivery schedules for over a year, the Transmission System Operator shall have the right to unilaterally terminate the balancing contract by submitting a 10 day notification to the supply company.

38. If the balancing contract is terminated, the Transmission System Operator shall immediately inform the trading platform (Gas Exchange) operator thereof.

39. Market participants, importing gas, must submit to the Transmission System Operator copies or extracts of gas import contracts, and (or) agreements, certified in the procedure approved by the legislative acts, confirming the commitment of suppliers to supply gas. The Transmission System Operator shall have the right to request market participants importing gas to provide other documentation necessary to ensure the timely, smooth and safe transmission of gas. Documents submitted to the Transmission System Operator *inter alia* shall include: parties to the contract, the object of the contract, gas reception point, gas supply procedure and regime, gas quantities supplied and time-limits, duration/validity of the contract, contract termination conditions, parameters of gas quality and pressure.

40. Market participants, supplying gas from other gas systems, must submit to the Transmission System Operator copies or extracts of agreements, certified in the procedure approved by the legislative acts, confirming the purchase of gas. The Transmission System Operator shall have the right to request market participants supplying gas from other gas systems to provide other documentation necessary to ensure the timely, smooth and safe transmission of gas. Documents submitted to the Transmission System Operator *inter alia* shall include: parties to the contract, the object of the contract, gas reception point, gas supply procedure and regime, gas

quantities supplied and time-limits, duration/validity of the contract, contract termination conditions, parameters of gas quality and pressure.

41. The distribution system operator designated by the forecasting party must provide the transmission system operator with information on the quantity of gas forecasted to be off-taken at non-daily read metering points by Network Users at the delivery points connected to the distribution system within the following time limits:

41.1. Initial forecast: by 12:00 of the business day preceding the balancing period;

41.2. The first updated forecast: by 13:00 of the balancing period;

41.3. The second updated forecast: by 15:00 of the balancing period;

42. The distribution system operator must provide the transmission system operator, by 13:00 of the business day following the balancing period(s), with information on the quantity of gas off-taken by the Network Users during the balancing period at the daily read metering delivery points connected to the distribution system.

43. The distribution system operator designated by the forecasting party must provide the transmission system operator with information on the quantity of gas off-taken by the Network Users during the balancing period at the non-daily read metering delivery points connected to the distribution system in the following terms:

43.1. on the first business day following the balancing period (s), within two hours of receipt of the data, from the transmission system operator, on gas quantities transmitted during the previous balancing period (s) to the distribution system, and

43.2. no later than the third business day after the end of the reporting period, shall update the gas quantities of the ended reporting period, after the allocation by days.

44. After the distribution system operator designated by the forecasting party updates the gas quantities in accordance with Paragraph 43 of the Rules, the Network User has the right, upon coordinating with the supply company, to adjust the supply schedule. The supply company must provide the transmission system operator, within three business days following the reporting period, with information on the adjusted gas supply schedules for each market participant involved in the purchase of gas.

45. If the actual data on the volume of gas transported to a delivery point connected to the distribution system is revised, the distribution system operator must provide to the Transmission System Operator the updated data on the quantities of gas actually distributed to the Network Users, irrespective of the reporting period for which the data are revised but for no longer period than one year. Revised data are presented together with the data for the previous reporting period.

46. If the actual data on the gas transported to the point of delivery connected to the distribution system or to the point of delivery connected to the transmission system are revised, the daily imbalance charge for that balancing period shall not be recalculated and the additional quantity of balancing gas that the market participant had buy and/or sell during the balancing period shall be bought and/or sold for the average weighted price of natural gas traded in the trading platform (Gas Exchange) at the Lithuanian virtual trading point during the balancing period.

47. The trading platform operator shall provide information on the gas purchase and sales transactions concluded during the trading session on the Natural Gas Exchange to the Transmission System Operator in the procedure laid down in the Natural Gas Trading Rules.

48. Information provided in this section of the Rules shall be provided to the Transmission System Operator in the forms set out in the annexes to the contracts, in which the balancing conditions are set, and (or) on the balancing account.

CHAPTER VII

PROCUREMENT OF BALANCING GAS BY BALANCING THE SYSTEM BY THE TRANSMISSION SYSTEM OPERATOR

49. In order to ensure the balancing in the transmission system and proper functioning, the Transmission System Operator shall purchase gas on the trading platform (Gas Exchange) at the Lithuanian virtual trading point and / or under bilateral contracts, and, if needed, shall acquire other balancing services. The Transmission System Operator shall purchase balancing services and trade in gas for the purposes of balancing in order to minimizing the cost of balancing services.

50. The Transmission System Operator shall acquire balancing services for a period not longer than one year.

51. The Transmission System Operator by purchasing and selling gas on trading platform (Gas Exchange) at the Lithuanian virtual trading point shall seek to carry out transactions at near-market prices, however, considering the demand for gas for balancing the transmission system. The Transmission System Operator shall publish on its website information on balancing services purchased and natural gas purchased or sold for the balancing purposes.

CHAPTER VIII COOPERATION WITH OTHER TRANSMISSION SYSTEM OPERATORS

52. The Transmission System Operator to ensure the proper functioning of the transmission system must coordinate balancing regimes and seek to cooperate, in carrying out the balancing activities, with the Transmission System Operators with which the transmission system operated by the Transmission System Operator is connected.

53. The Transmission System Operator, once a year, shall submit proposals to the EU Agency for the Cooperation of Energy Regulators (ACER) and the Commission on the possibility of unifying balancing regimes at regional and cross-systemic level (in the event the Transmission System Operators cooperate in carrying out the balancing activities).

CHAPTER IX FINAL PROVISIONS

54. Contract form in which standard balancing contract conditions are determined is presented in Annex 2 to the Rules.

55. For exchange of information related to the transmission system balancing and publication on the balancing account created for a particular market participant involved in balancing the transmission system, an additional agreement shall be signed between the Transmission System Operator and market participant.

56. In the event of disruptions of gas supplies to Lithuania, gas quantities injected into the transmission system shall be allocated in accordance with the Description of Measures Ensuring Natural Gas Supply Security approved by Resolution No 163 "On the Approval of Description of Measures Ensuring Natural Gas Supply Security" of the Government of the Republic of Lithuania of 26 February 2008.

57. Complaints and disputes concerning violations of balancing conditions shall be examined in the procedure laid down by law.

58. The Transmission System Operator and market participants involved in balancing the transmission system and distribution system operators for improper execution of the Rules shall be responsible in the manner laid down by law.

59. The imbalance tolerance limit shall apply until 31 March 2019.

60. Information provided to the Transmission System Operator by a market participant in accordance with Paragraphs 39 and 40 of the Rules is confidential and in no amount may be

transferred or otherwise disclosed to any third parties, except in cases stipulated by legal acts or with the written consent of the Market participant.

DAILY IMBALANCE CHARGE CALCULATION METHODOLOGY

CHAPTER I GENERAL PROVISIONS

1. The daily imbalance charge calculation methodology (hereinafter – the Methodology) is designed to establish the calculation and coverage of the daily imbalance of the Network User and the principles, procedure and conditions for the application of the daily imbalance charge within the natural gas (hereinafter – the gas) transmission system (hereinafter – the transmission system) managed by AB Amber Grid.

2. By undertaking balancing actions, the Transmission System Operator shall not either gain or lose. The principle of neutrality shall be ensured through the setting of natural gas transmission service price caps and through the setting of specific natural gas transmission service prices. In the VAT invoices submitted by the Transmission System Operator to the Network Users for the provided transmission services, information on what effect does the balancing activity income and costs make on the transmission service prices.

CHAPTER II CALCULATION AND OFFSET OF THE IMBALANCE AND APPLICATION OF THE DAILY IMBALANCE CHARGE

3. The daily imbalance quantity of each market participant during each balancing period shall be calculated in accordance with the following formula:

daily imbalance quantity = inputs – off-takes

4. Market participant involved in balancing the transmission system in order to offset the imbalance caused over the balancing period, after the end of the balancing period:

4.1. if a daily imbalance quantity for the balancing period is negative, i.e. if gas quantities injected by the market participant to the transmission system through a period of balancing was less than the quantities of gas off-taken from the transmission system, then this market participant shall be deemed to have purchased gas from the transmission system operator equivalent to the daily imbalance quantity and therefore shall be obliged to pay daily imbalance charges to the transmission system operator;

4.2. if a daily imbalance quantity for the balancing period is positive, i.e. if gas quantities injected by the market participant to the transmission system through a period of balancing exceeded the volume of gas off-taken from the transmission system, then this market participant shall be deemed to have sold gas to the transmission system operator equivalent to the daily imbalance quantity and therefore shall be entitled to receive a daily imbalance charges from the transmission system operator.

5. Market participants involved in balancing the transmission system and causing imbalances shall be subject to the imbalance charge calculated as follows:

5.1. The imbalance tolerance limit shall be equal:

5.1.1. in October-April: to the quantity of gas corresponding to 5 percent of the gas quantity injected during the balancing period to the transmission system by the market participant involved in balancing the transmission system;

5.1.2. in May-September: to the quantity of gas corresponding to 15 percent of the gas quantity injected during the balancing period to the transmission system by the market participant involved in balancing the transmission system;

5.1.3. When the information on the forecasted quantity of gas to be off-taken by the Network Users at non-daily read metering points during the balancing period provided to the transmission system operator by the forecasting party differs from the information on the quantity of gas allocated to the Network Users at non-daily read metering points during the balancing period, the imbalance tolerance limit shall be increased by the quantity of gas equal to that gas quantity difference.

5.2. Marginal buy price and/or marginal sell price is not applied to the quantity of imbalance gas that is lower than the imbalance tolerance, while the balancing gas is bought or sold at the weighted average price of natural gas traded on the trading platform (Gas Exchange) at the Lithuanian virtual trading during the balancing period.

6. If the quantity of imbalance gas is higher than the imbalance tolerance, the balancing gas is bought or sold for the marginal buy and/or marginal sell price.

7. If it is not possible to establish a marginal sell price and/or marginal buy price, and/or weighted average price on the trading platform (Gas Exchange) at the Lithuanian virtual trading point of natural gas for a particular balancing period, the last marginal sell price and/or marginal buy price, and/or weighted average price on the trading platform (Gas Exchange) at the Lithuanian virtual trading point of natural gas is used for the balancing period.

8. When, at the end of the balancing period, the Transmission System Operator calculates for a market participant causing imbalances the daily imbalance charge, the imbalances shall be eliminated.

9. At the end of the reporting period, within 10 calendar days, a report for each market participant involved in balancing the transmission system shall be formulated on the balancing account where information about the imbalance amounts recorded during specific periods of balancing, adjustments made, calculation of payments for the daily imbalance charge shall be provided.

10. At the end of the reporting period or duration of the contract concluded with the market participant involved in balancing the transmission system, if it is less than the reporting period, in the event the imbalance of the market participant has been recorded at least one balancing period in the course of the reporting period, within 10 calendar days:

10.1. the Transmission System Operator shall calculate the daily imbalance charge for market participant causing the shortage of gas in the transmission system, and provide a VAT invoice according to which a market participant must account for balancing gas acquired during the reporting period;

10.2. The market participant causing the surplus of gas in the transmission system shall calculate for the Transmission System Operator the daily imbalance charge in the transmission system and provide a VAT invoice according to which gas sold to the Transmission System Operator during the reporting period must be paid for. Under a separate agreement, the Transmission System Operator can execute documents (or VAT invoices) on behalf of the market participant for balancing gas;

11. If, at the end of the reporting period, data on the amount of gas transferred into the distribution system for technological needs of the distribution system operator differ from the predicted amount of gas to be transferred for technological needs of the distribution system operator, the imbalance charge shall not be calculated and the resulting difference shall be offset at the weighted average price of natural gas traded on the trading platform (Gas Exchange) at the Lithuanian virtual trading during the balancing period.

12. If, at the end of the reporting period, data on the amount of gas transported to the delivery point connected to the distribution system are revised, the revised amount shall not be subject to the imbalance charge and the resulting difference between the original and revised

imbalance shall be offset at the weighted average price of natural gas traded on the trading platform (Gas Exchange) at the Lithuanian virtual trading during the balancing period.

13. When the distribution system operator specifies data on the amount of gas transported to the delivery point connected to the distribution system, or when the Transmission System Operator specifies the amount of gas injected into the transmission system, or the amount of gas ejected into the user systems directly connected to the transmission system, changes in payment for balancing shall be recorded in a separate VAT invoice submitted along with a VAT invoice for the reporting period for those network users for whom the amounts of natural gas transported are changed. If a VAT invoice for the reporting period is not presented to the Network User, changes in payment for balancing shall be indicated in a separate VAT invoice to be submitted under the same terms as the VAT invoice for the reporting period.

14. Information about balancing gas prices of the relevant balancing period, their changes are published on the website of the Transmission System Operator or of the trading platform operator. The procedure for calculating the daily imbalance charge shall be published on the website of the Transmission System Operator.