CIRCULAR 2/2015, OF 22 JULY, FROM SPAIN'S NATIONAL AUTHORITY FOR MARKETS AND COMPETITION, ESTABLISHING THE REGULATION ON GAS BALANCING OF TRANSMISSION NETWORKS

The European Parliament and Council Regulation (EC) Nº 715/2009, of 13 July 2009, concerning the conditions for access to natural gas transmission networks, regulates the principles of capacity allocation and congestion management, transparency requirements and the trading of capacity rights in natural gas transmission networks.

Furthermore, on 26 March 2014, Commission Regulation (EU) 312/2014 was approved, which establishes a network code for gas balancing in transmission networks. This Regulation establishes gas balancing rules in gas pipeline transmission networks, including rules on nomination procedures, imbalance charges, settlement processes associated with the daily imbalance charge and operational balancing between transmission system operators' networks.

Regarding coordination with neighbouring countries, the objective of the Gas Regional Initiative for Southern Europe, coordinated by the Agency for the Cooperation of Energy Regulators (ACER), is the creation of a regional natural gas market that integrates Portugal, Spain and France. The Initiative has made a detailed analysis of the requirements set out in Regulation (EU) 984/2013, which require a certain amount of coordination at frontiers, and of the best way to make them compatible.

At a national level, article 70 of Act 34/1998, of 7 October, concerning the Hydrocarbons Sector, establishes the right of access to transmission infrastructures, based on the principles of non-discrimination, transparency and objectivity.

Furthermore, article 7.1 e) of Act 3/2013, of 4 June, indicates that the National Authority for Markets and Competition will exercise the function of establishing, by means of a circular, the methodology relating to the provision of balancing services, in a way that provides appropriate incentives for network users to balance their inputs and off-takes from the gas system, within the regulatory framework for system access and operation defined in Act 34/1998, of 7 October, and in its development regulations. The circulars established in this way must be published in the Official Spanish State Gazette.

In light of the above, and in accordance with the functions allocated to the regulatory authority by Commission Regulation (EU) 312/2014, which sets out a network code for gas balancing in transmission networks, and with a prior hearing process, the Full Board of the National Authority for Markets and

Competition, in its session dated 22 July 2015, has agreed to issue the following circular:

One. Object.- The object of this circular is to regulate the mechanisms for calculating gas balancing in gas pipeline transmission networks, including calculation procedures for imbalances and their charges, the transmission network's operational balancing and the regulations for nominating the use of gas system infrastructures and information procedures for users concerning balances, in accordance with Commission Regulation (EU) 312/2014, which establishes the network code for gas balancing in transmission networks.

These mechanisms will be applied in accordance with economic efficiency criteria, and they will be transparent, objective and non-discriminatory.

Two. Scope of application.- This circular will be applied to the Spanish Technical System Manager, and consequently, to all parties that carry out activities in that network or whose activities affect the gas pipeline transmission network, including the Technical System Manager, the transmission system operators, the distribution system operators, the users who access the transmission network or who have a balancing portfolio in the transmission network, service providers and consumers who contract access.

Furthermore, the provisions relating to nomination processes will be applied to installation users at connection points with the pipeline transmission network.

The rights and obligations set out in this circular relating to transmission network users will only be applied to those users who have signed a legally binding agreement that allows them to send notifications in accordance with section 6 of this circular.

Three. Definitions.- For the purposes of this circular, the following definitions will be applicable:

1. Virtual Balancing Point - PVB: The transmission network's virtual trading point where users can transfer gas ownership as inputs or off-takes.

2. PVB balancing zone: an entry-exit system which includes the pipeline transmission network, to which the specific balancing regulations defined in this circular are applied.

3. PVB balancing action: an action carried out by the Technical System Manager in order to keep the transmission network within its operational limits, excluding actions related to gas losses and the gas used by Technical System Manager for the operation of the system. There will be two types of balancing action: the ownership transfer of short-term standardised products and the use of balancing services.

4. Short-term standardised product: can be one of two types:
    a. a standardised product with a gas ownership transfer in the PVB: the Technical System Manager acquires gas from users or sells gas to users in the PVB.
    b. a standardised product with a transfer of local gas ownership: the Technical System Manager acquires gas from users or sells gas to users at a specific entry or exit point or points of the transmission network.

5. Balancing service: a service provided to the Technical System Manager in order to compensate for short-term fluctuations in the supply and demand of gas, and which is not a short-term standardised product.

6. Balancing period: A temporary period which is used to calculate the balance for gas system users. This period will be the gas day.

7. Daily imbalance rate:
   If a user's imbalance is negative, the daily imbalance rate is the marginal purchasing price, ie, the highest price between:
    a.1. The highest price for the purchasing of gas ownership transfers in PVB by the Technical System Manager during the gas day.
    a.2. The weighted average price for the gas day plus a minor adjustment.
   If the user's imbalance is positive, the daily imbalance rate is the marginal sales price, ie, the lowest price between:
    b.1. The lowest price for the sales transactions of gas ownership transfers in PVB by the Technical System Manager during the gas day.
    b.2. The weighted average price for the gas day minus a minor adjustment.

8. Average weighted price: the daily average weighted price for gas ownership transfers among users that take place on the trading platform.

9. Trading platform: the electronic platform provided and managed by a platform operator, through which authorised subjects can propose and accept, including the right to review and withdrawal, the supply and demand of gas needed to compensate the short-term gas supply and demand fluctuations, in accordance with the conditions applicable in the trading platform.

10. Confirmed quantity: the quantity of gas which is scheduled or rescheduled for the gas day in the nomination/renomination process and which is confirmed by the Technical System Manager.

11. Daily metered: the quantity of gas that is metered and registered once per gas day.

12. Intraday metered: the quantity of gas that is metered and registered at least twice per gas day.

13. Nondaily metered: the quantity of gas that is metered and registered less frequently than once per gas day.

14. PVB balancing portfolio: a user's total inputs and off-takes.

15. Allocation: the amount of gas, expressed in kWh/d and attributed to a user as balancing area inputs or off-takes, in order to determine their balance.

16. Gas day: a period that, in winter, starts at 05:00 UTC on one day and finishes at 05:00 UTC the following day, and in summer, from 04:00 UTC on one day to 04:00 UTC the following day. This means that the gas day is from 06:00 to 06:00 for mainland Spanish time and Central European time. Henceforth, the times of day stated in this circular refer to local times in mainland Spain.

17. Provisional daily imbalance charge: the amount of money that a network user pays or receives for the kWh/day of their daily imbalance. It will initially be provisionally calculated for Day D on Day D+1.

18. Final provisional daily imbalance charge: this is the daily imbalance charge for Day D, calculated three months later.

19. Definitive final daily imbalance charge: is the daily imbalance charge for Day D, calculated fifteen months later.

20. User: a subject with a balancing portfolio authorised by the Technical System Manager for sending bilateral gas ownership transfer or trading platform notifications. Marketers and/or direct consumers in the market can group together to form a sole user. A marketer and/or a direct consumer in the market can establish different users. In any event, each user has only one balancing portfolio.

21. Service provider: a legal body that can act on behalf of a user for the purpose of issuing notifications, with prior authorisation from the Technical System Manager.

Fourth. General principles

1. A balance in the PVB balancing zone will be calculated for the user's balancing portfolio and for every gas day.

2. Users will be responsible for their balance in the PVB balancing zone. For this purpose, during the gas day, they may increase or reduce their gas

inputs and/or off-takes in the PVB balancing zone, by modifying their network-use nominations and/or renominations in accordance with Section 12 of this circular, or by gas ownership transfers between users, in accordance with Section 6 of this circular.

3. The Technical System Manager will be responsible for maintaining the gas system transmission network within its normal operational limits. For this purpose, the transmission system operator can carry out the balancing actions defined in Sections 7 and 8 of this circular.

   Furthermore, the transmission system operator will be responsible for calculating each user's balance in the PVB balancing zone.

   Lastly, the transmission system operator will also be responsible for invoicing any charges that may arise from individual user imbalances and for employing balancing actions.

Five. Users with a PVB balancing portfolio.

1. Subjects who wish to operate in this balancing zone, and which therefore have a PVB balancing portfolio, must be authorised users, whether or not they have an access contract.

2. The Technical System Manager will develop an authorisation, suspension and deregistration procedure for users with a PVB balancing portfolio.

3. This procedure will include the electronic signing of a framework contract between the Technical System Manager and the users, which will allow users to communicate notifications of gas transactions, regardless of whether they have contracted access capacity to the PVB balancing zone or not. The framework contract shall include clauses concerning requirements for invoicing and settling imbalances, payment guarantees, conditions for suspending a balancing portfolio, how to act in the case of force majeure or fortuitous events and the circumstances for the termination or transfer of the contract. The framework contract will comply with the methodologies cited in sections 13 and 14 of this circular, regarding financial charges for imbalance and the allocation of costs for balancing actions and services respectively. The framework contract will refer to these methodologies and any possible changes concerning them.

4. The Technical System Manager will present the user-authorisation procedure and the framework contract for public consultation.

5. Within a period of four months after this circular comes into force, the day after its publication in the Official Spanish State Gazette, the Technical System Manager will send the National Authority for Markets and Competition the procedure for authorising, suspending and deregistering

users with PVB balancing portfolios and the proposed framework contract, together with the comments received during the public consultation process and their analysis, for approval by means of a resolution from this authority.

6. The Spanish National Authority for Markets and Competition may carry out any changes to the proposal that it deems necessary, which the Technical System Manager must comply with. Once the procedure and the framework contract have been approved, they must be published on the websites of the Technical System Manager and the National Authority for Markets and Competition, and they will be applicable from the day after their first publication on either of the two websites.

Six. Notification of gas ownership transfers

1. Gas ownership transfers between two balancing portfolios in the PVB balancing zone will be carried out by means of acquisition and cession notifications sent to the Technical System Manager regarding the gas day concerned. These notifications will be submitted in electronic format. In the PVB, the gas will be considered as transferred from one balancing portfolio to another with the last valid notification received by the Technical System Manager. In order to carry out gas ownership transfers in the PVB, it is not necessary to have reserved capacity for third party access to the network.

2. The notifications will announce gas acquisitions and cessions and will have the following minimum contents:
    1. The affected balancing portfolios
    2. The gas day when the gas ownership transfer occurred
    3. Where the ownership transfer took place (PVB or transmission network entry/exit point)
    4. If it is an acquisition or cession notification.
    5. The quantity acquired or transferred, in kWh/day

3. When the transaction takes place on a trading platform, the platform operator may be responsible for notifying the gas ownership transfer to the Technical System Manager on behalf of the user.

    Where the notifications associated with a gas transaction are not the trading platform's responsibility, either because they are bilateral transactions between users or platform transactions where the operator is not responsible for notification, the affected users must send a notification to the Technical System Manager. The transmission system operator will establish and publish on its website the procedure it will follow when the quantities of gas cited in user notifications concerning a certain transaction do not agree.

    Users may send the notifications themselves or through a service provider. The Technical System Manager will establish and make public the requirements that must be met by the service provider in order to carry out

this function. The service provider must demonstrate its condition to the Technical System Manager. The user will assume full responsibility for notifications sent by their service provider.

In any event, the Technical System Manager must know the gas ownership of each user for the purposes of calculating the gas balance.

4. Within a period of four months after this circular comes into force, the day after its publication in the Official Spanish State Gazette, the Technical System Manager will establish and publish on its website the calendar for issuing, withdrawing and modifying notifications, taking into account the time needed for their registration and accounting. In any event, it will be permitted to send notifications that affect one gas day, up to a maximum of one day before that gas day and during the gas day until 3 hours before its end. The length of time from when the Technical System Manager receives a notification to its registration and accounting may not exceed 30 minutes, except for notifications that are issued before the gas day, which may have a 2-hour extension to the processing period.

5. If the Technical System Manager receives a group of acquisition and transfer notifications concerning the same ownership transfer which coincide, the transmission system operator will assign the notification quantity to the corresponding balancing portfolios:
    a. As an off-take from the user's balancing portfolio when a cession notification is sent.
    b. As an input in the user's balancing portfolio when an acquisition notification is sent.

6. When the notification quantities mentioned in Section 5 do not coincide, the Technical System Manager will either assign the lowest notification quantity specified in the corresponding notification or reject both notifications. The transmission system operator will determine the applicable rule in the framework contract, or in another legally-binding agreement, and will publish the procedure to be followed in these cases.

7. For a user's PVB balance calculation for the gas day, the Technical System Manager will take into account the gas transfers carried out by that user. For this purpose, the acquisition of gas in PVB or at a transmission network entry point will be considered as a gas input for the purpose of the user's balance, and a gas cession in PVB or at a transmission network exit point will be an off-take for the purpose of the user's balance.

8. A user may send a gas ownership transfer notification during a gas day, irrespective of whether they have carried out a nomination for that day.

Seven. Operational balance and balancing actions

1. Before 1 January 2016, and with prior public consultation, the Technical System Manager will develop procedures for establishing the state of the transmission network. These procedures will form part of the System's Technical Management regulations and will define the calculation methodology of:
   1. The technical parameters and values that determine the transmission network's normal operation and the maximum and minimum limits for the quantity of gas in the transmission network for the efficient and economic operation of that network.
   2. The technical parameters and values for the transmission network that define the risk of operating conditions that are different from normal operating conditions or that need balancing services and a balancing action by the transmission system operator.

2. The Technical System Manager will periodically provide information on the state of the transmission network and the technical parameters and values that determine the operating conditions of the network.

3. The Technical System Manager may carry out balancing actions for the gas day with the aim of keeping the transmission network within normal operating conditions, or acquire a different quantity of gas in the network at the end of the day, in accordance with its efficient and economic operation.

4. When carrying out balancing actions, the Technical System Manager will take into account estimations of demand, user nominations and/or renominations, gas flows measured up to that time, gas pressures in the transmission network and the technical conditions of the installations.

5. The balancing actions will be carried out in a non-discriminatory way, always with the aim of operating the infrastructures efficiently and economically.

6. The balancing actions will preferably consist of transactions performed by the Technical System Manager on the trading platform for short-term standardised balancing products, in the following merit order:

   a. A standardised product with a PVB gas ownership transfer:
      The Technical System Manager acquires gas from users or sells gas to users in the PVB.
   b. A standardised product with a transfer of local gas ownership:
      The Technical System Manager acquires gas from users or sells gas to users at a specific transmission network entry or exit point or points.

   When trading short-term standardised products, the Technical System Manager will prioritise the use of products within the gas day over products from the day ahead.

The Technical System Manager will use local products only when changes to gas flow are necessary at specific entry and/or exit gas points or groups of points.

The acquisition of a local change of ownership product by the Technical System Manager must be associated with the acquisition of an equivalent opposite in the PVB. The user that carries out a local change of ownership transaction with the Technical System Manager will be obliged to maintain the committed local gas flow.

The Technical System Manager may acquire these products the day before the gas day or during the gas day, in accordance with the regulations applicable on the trading platform and at the lowest possible cost.

7. Standardised product transactions with local gas ownership transfers carried out by users with the Technical System Manager require a notification, indicating:
    1. Counterparty user
    2. The gas day when the gas was transferred
    3. The type of product
    4. Whether it is an acquisition or cession transaction by the Technical System Manager
    5. Where the gas is delivered or withdrawn (transmission network entry/exit point/s)
    6. The quantity of gas acquired or transferred by each user, in kWh/day

8. User nominations and renominations that are a consequence of change of local ownership transactions with the transmission system operator cannot be modified.

    When the Technical System Manager acquires a standardised local gas ownership transfer product, the user renomination rights for the points that have requested that local product offer will be suspended.

Eight. Balancing services

1. The Technical System Manager may carry out balancing actions using balancing services on a case-by-case basis, and where it is foreseen that the acquisition of short-term standardised products is not possible, or where it is not likely to cause the transmission network to exceed its operational limits.

2. When employing balancing services, the Technical System Manager will take the following into account:
    1. The way in which the balancing services will keep the system within its operational limits.

2. The response time of balancing services compared to that of short-term standardised products.
3. The estimated cost of using balancing services with respect to those of any short-term standardised product.
4. The entry/exit gas point.
5. To what extent the use of the balancing service affects the liquidity of the short-term gas market.

3. Before acquiring a balancing service, the Technical System Manager will provide detailed justification of the need for doing so, in a detailed report sent to the Directorate General for Energy Policy and Mines and the National Authority for Markets and Competition, so that they may decide whether to authorise it or not, or if some conditions should be met.

   This report will describe, as a minimum, the climatological circumstances, operational and technical conditions, the trading platform's situation, any other cause that makes it necessary to use the balancing service, as well as the exact reasons why the acquisition of standardised products on the trading platform is not possible or does not solve the risk of the transmission network entering operational conditions other than its normal conditions, in addition to the balancing service proposals, including advantages and disadvantages compared to other, alternative balancing services that have been rejected.

4. The duration of the balancing service must not be longer than one year, and its starting date will be within a period of twelve months dated from the legally-binding commitment for the contracting parties.

5. The Technical System Manager will acquire the balancing services by means of an objective, transparent and non-discriminatory public tender mechanism. The tender will be non-restrictive and will describe the required service, the maximum price to be paid for that service and the detailed evaluation and selection process, including clear instructions applicable to the bidders that will allow them to take part in the process. The National Authority for Markets and Competition will give prior approval to the tender process regulations.

   The Technical System Manager will publish the aggregated results of the balancing services acquisition process in electronic format, respecting the confidentiality of commercially sensitive information, and it will communicate the individual results of the offers to the bidders.

   The National Authority for Markets and Competition will supervise both the balancing service selection process and its use by the Technical System Manager.

6. The Technical System Manager may request the approval of the National Authority for Markets and Competition for trading with the balancing zones of neighbouring countries as an alternative to national standardised products and balancing services. Regarding its approval, the National Authority for Markets and Competition may consider alternative solutions for improving the performance of the domestic market. However, the use of this balancing action should not limit the access and use of the interconnection's capacity by the transmission network's users. The Technical System Manager and the National Authority for Markets and Competition will review the applicable conditions annually.

Nine. Information on the Technical System Manager **balancing actions.**

1. The Technical System Manager will publish in electronic format information concerning the balancing actions used, before their invoicing, indicating the technical constraints that have caused those actions, the balancing actions adopted and their costs and results.

2. Furthermore, every six months it will inform the National Authority for Markets and Competition of its actions, providing detailed justification of the causes that made the application of the balancing action necessary, and detailing the costs arising from each of them. In the case of balancing actions for the acquisition of standardised products with local gas ownership transfer and balancing services, it must include the exact reasons which prevented it from using a standardised gas ownership transfer product in PVB and the prevailing technical and operational conditions when the decision was made.

3. The Technical System Manager will publish in electronic format, in the first quarter of each year, a report concerning the acquired balancing actions for the previous year (frequency of use, the quantity committed, etc.) and their costs.

Ten. Trading platform

1. The trading platform where transactions between the users and the Technical System Manager take place will comply with the following requirements:
   a) To allow gas buying and selling transactions to be performed at the transmission system's virtual point, including products with daily and intra-daily delivery horizons.
   b) To offer sufficient assistance to both the users and the Technical System Manager during the gas day, so that the Technical System Manager can carry out the balancing actions by means of short-term standardised product transactions.
   c) To provide objective, transparent and non-discriminatory access for all users.

d) To provide services based on an equal treatment. It may provide additional services in accordance with those of an organised gas market.
e) To ensure anonymous negotiation, for both the trade matching and settlement.
f) To provide all participants with a detailed breakdown of current supply and demand.
g) To publish the prices and volumes of the products negotiated on the platform, in an aggregated way.
h) To ensure that all the transactions with a daily and intra-daily time horizon that take place on the platform are duly reported to the Technical System Manager.

2. In accordance with Section 5, only users who are authorised to emit notifications may carry out transactions on the trading platform.

   The Technical System Manager will notify the trading platform operator if a user loses the right to emit notifications as soon as possible, and in any event, within a maximum period of two working days.

3. After the conclusion of a commercial transaction on the trading platform, whether it be among users or between users and the Technical System Manager, the platform operator will provide the transaction's participants with sufficient information to confirm it.

4. The trading platform operator will have the obligation to publish information on transaction prices without any undue delays; specifically: the evolution of marginal purchasing prices and marginal sales prices that define imbalance rates, average prices, weighted average prices and the price difference between supply and demand. Furthermore, it will provide aggregated information concerning the volume of transactions.

Eleven. Technical System Manager Incentives

1. The National Authority for Markets and Competition will approve an incentives scheme with the aim of making the Technical System Manager more efficient in the selection and use of balancing actions.

2. The incentives scheme for the Technical System Manager will be based on its performance. It will take into account the market options available to the transmission system operator for the selection and use of balancing actions, it will reflect its responsibility and it will be subject to periodical review by the National Authority for Markets and Competition.

3. Within a period of six months from this circular coming into force, and after having been subjected to public consultation, the Technical System Manager will present a mechanism to provide efficiency incentives for the

selection and use of balancing actions, which will meet the following requirements:

1. To establish a specific performance target, so that depending on whether the Technical System Manager's real performance is above or below the predetermined target, the Technical System Manager will either receive or make a payment.
2. To take into account the available means for controlling performance, and their appropriate use by the Technical System Manager, in accordance with the criteria cited in this circular.
3. To ensure that its application exactly reflects the allocation of responsibilities between the parties involved.
4. To adapt itself to the gas market's current state of development.
5. To take into account if the Technical System Manager's decisions have helped to reduce the system's costs.
6. To take into consideration the evaluation of the users.
7. To take into account the quality and timely compliance with the obligations cited in this circular.
8. To be subject to an annual review for the first two years of application, and then a review once every four years, carried out by the National Authority for Markets and Competition, which will perform this task in cooperation with the Technical System Manager, in order to assess where, and to what extent, changes must be made.

4. In accordance with Section 9, every year, before 15 April, the Technical System Manager will send a report to the National Authority for Markets and Competition, justifying the adoption of balancing actions carried out during the previous year and giving details of the costs arising from each of them. The National Authority for Markets and Competition will analyse if these costs were produced inefficiently, taking into account:
    1. If the Technical System Manager was able to mitigate the costs generated by the balancing actions, and to what extent.
    2. The information, time and tools available to the Technical System Manager when it decided to take the balancing action.

Twelve. Nomination and renomination procedures

1. Before 14:00 on the day before the gas day, users may carry out the following nominations:

    a) In the transmission and distribution network, nominations for:
        1. Inputs per entry point (LNG plant, international connection, storage, gas field), in kWh/d.
        2. Off-takes in the network as a whole, and at the exit points required by the Technical System Manager, in kWh/d.

    b) In each regasification plant, nominations for
        1. the quantity to be regasified on Day D, in kWh/d.

c) In underground storage facilities as a whole, nominations for gas injection and extraction, providing the quantity to be injected and/or extracted, in kWh/d.

d) Any other necessary nomination, in accordance with current legislation, with appropriate detailed information.

2. In the absence of a valid nomination sent by the user, the last weekly schedule will be used as a nomination. In the case of inputs/off-takes through international connections with Europe, the Technical System Manager will apply the default nomination regulation that has been agreed with the transmission network operator on the other side of the border. The Technical System Manager will publish this regulation on its website.

3. The day before the gas day, the transmission system operator will have 2 hours, until 16:00, to confirm the nominations carried out.

4. Once the nomination has been confirmed, a series of renomination cycles will begin, corresponding to the use of the infrastructures on the gas day. The gas day's last renomination cycle will end three hours before the end of the gas day.

   Each renomination cycle will begin at the start of each hour and will last for two hours, ending with confirmation of the nomination by the Technical System Manager. The user can send renominations during the first hour and a half of the renomination cycle. The starting time for the effective change of the nomination will be 2 hours after the start of the renomination cycle, unless the user requests a later time.

   The content of the renominations will be the same as that of the nominations.

   The renominated quantity expressed in the renominations carried out the day before the gas day will affect the user's utilisation of the installation during the entire gas day and will be expressed in kWh/day.

   The renominated quantity expressed in the renominations carried out during the gas day will affect the remaining hours of the gas day, once the corresponding renomination cycle has finished, and it will be expressed in kWh.

   Once the nomination or renomination carried out the day before the gas day (expressed in kWh/day) has been modified by a renomination carried out during the gas day, the calculation of the quantity of gas from the previous day's nomination/renomination that was effective will be carried out in

proportion to the number of hours that that nomination/renomination was in force.

5. At any time, the Technical System Manager may require the installation's users to provide it with additional information on nominations and renominations, depending on the Technical System Manager's specific needs, provided that this is justified. Specifically, a precise, up-to-date and sufficiently detailed forecast of inputs and off-takes.

6. The Technical System Manager may only reject a nomination or renomination in the following cases:
   a) If it does not conform to the established content
   b) It is not sent by an authorised user
   c) If it leads to a flow that cannot physically take place
   d) If it surpasses the agent's contracted capacity

   If a user renomination is not accepted, the Technical System Manager will use the user's last accepted quantity as the nomination or renomination.

7. The Technical System Manager may not reject a user's nomination because the input nomination does not match the off-take nomination.

8. The Technical System Manager may only modify the quantity of gas in a nomination or renomination in exceptional cases, and in particular, in emergency situations where there is an evident danger for the system's safety and stability, in which case it should inform the Directorate General for Energy Policy and Mines and the National Authority for Markets and Competition, justifying its actions.

9. All the information and communications relating to nomination and renomination processes will be carried out through the Technical System Manager's network third-party access IT system (SL-ATR).

Thirteen. Financial charges for user imbalance during the gas day

1. Users begin each gas day with a zero imbalance in the PVB balancing zone.

2. On the day after the gas day, the Technical System Manager will calculate each user's provisional imbalance for the gas day as the difference between the user's inputs and off-takes in the PVB balancing zone during the gas day. The user's provisional amount of imbalance will be provided to the user according to the calendar and with the breakdown of information required by the System Technical Management Regulations.

   The Technical System Manager will be responsible for calculating and invoicing in electronic format the financial settlement of provisional user imbalances.

3. Within a period of six months from this circular coming into force, with prior public consultation, the Technical System Manager will present the imbalance-rate calculation methodology to the National Authority for Markets and Competition for its analysis and, if appropriate, approval by resolution, taking into account article 22 of Commission Regulation (EU) 312/2014, which establishes a network code for gas balancing in transmission networks, including a proposal for determining the minimum adjustment to be applied to the gas trading platform's average weighted price.

   The methodology will also include a detailed procedure for invoicing and settlement, for user imbalances and balancing actions carried out by the Technical System Manager, which will consider the possibility of the user requesting a revision of the allocated settlement in specific instalments. The National Authority for Markets and Competition may introduce any modifications it deems necessary to the Technical System Manager 's proposal.

   Once the daily imbalance rate calculation methodology has been approved by a resolution from the National Authority for Markets and Competition, the Technical System Manager will publish and calculate it, publishing both the methodology and the specific rate values in electronic format on a daily basis.

   The National Authority for Markets and Competition, where it considers it to be necessary, may modify the minimum applicable adjustment to the average weighted price of gas, by means of a resolution and with prior public consultation.

4. Users with a negative imbalance (gas shortfall in the PVB balancing zone) during the gas day must pay the Technical System Manager the result of multiplying the provisional individual imbalance amount by the daily imbalance rate for that gas day. This calculation does not take into account any possible balancing actions carried out by the Technical System Manager for acquiring/transferring standardised products for local gas ownership transfers or balancing services.

   Users with a positive imbalance (excess of gas in the PVB balancing zone) during the gas day have the right to receive from the Technical System Manager the result of multiplying the provisional individual imbalance amount by the daily imbalance rate for that gas day. This calculation does not take into account any possible balancing actions carried out by the Technical System Manager for acquiring/transferring standardised products for local gas ownership transfers or balancing services.

5. Settlement of user daily provisional imbalances will be carried out in the calendar week following the week to be settled. The settlement will be paid

by debit into a common account held by the Technical System Manager for the settlement of daily imbalances and balancing actions concerning standardised products with gas ownership transfers in PVB.

6. The imbalance rates and imbalance charges will be identified separately in the invoices sent to users by the Technical System Manager.

Fourteen. Allocation of balancing-action costs: financial neutrality of the Technical System Manager

1. The Technical System Manager will not receive profits or costs as a consequence of carrying out balancing actions, provided that these are performed efficiently.

2. The gas ownership transfer balancing actions in PVB during Month M will be settled on a monthly basis, during the first week of the month following Month M. The Technical System Manager will calculate the overall net financial result of the settlement of individual imbalances for Month M and the use of gas ownership transfer balancing actions in PVB that were performed in Month M, as income minus costs. This calculation will not take into account either the acquisition of standardised products with local gas ownership transfers or balancing services.

   Furthermore, it will calculate the accumulated monthly imbalance for each user as the sum of the absolute value of the user's daily provisional imbalances for that month.

3. Where the Technical System Manager's net financial result, calculated in point 2 of this section, is negative, users with an accumulated monthly imbalance will pay the Technical System Manager, after being invoiced, the net financial result in proportion to their accumulated monthly imbalance.

4. Where the Technical System Manager's net financial result, calculated in point 2 of this section, is positive, this result will be considered as an income in the settlement system for regulated gas sector activities.

5. In month M+3, once the update gas balance for each day of the month M is available for every user, the Technical System Manager will calculate the final provisional imbalance amount for each Month M gas day and each user and will notify them to this effect.

   Similarly, the Technical System Manager will recalculate and re-invoice the financial settlement adjustment for the user's Month M final provisional imbalances, using the imbalance rate corresponding to each Month M gas day according to the established imbalance-rate methodology, as well as the charge corresponding to the balancing actions for standardised

products with gas ownership transfers in PVB, calculated in accordance with the previous points.

The settlement of these adjustments arising from this Month M calculation will be performed in the first calendar week of Month M+4.

6. In Month M+15, once the update gas balance for each day of the month M is available for every user, the Technical System Manager will calculate the definitive final imbalance amount for each Month M gas day and for each user, and it will notify them to this effect.

   Similarly, the Technical System Manager will recalculate and re-invoice the financial settlement adjustment for the user's Month M final definitive imbalances, using the imbalance rate corresponding to each Month M gas day according to the established imbalance-rate methodology, as well as the charge corresponding to the balancing actions for standardised products with gas ownership transfers in PVB, calculated in accordance with the previous points.

   The settlement of the these adjustments arising from the users' Month M definitive final imbalances will be performed in the first calendar week of Month M+16.

7. On the gas day where the Technical System Manager has used balancing actions involving standardised products with local gas ownership transfers, the Technical System Manager will calculate the net financial results for these actions, as income minus costs. In this case, the settlement will be made in a differentiated account.

   Where the net financial result is negative, this result will be borne by the users who have introduced gas to the transmission network on that day, in proportion to their inputs, and they will be invoiced in the calendar week following the week to be settled.

   Where the net financial result is positive, this result will be considered as an income in the settlement system for regulated gas sector activities.

8. In the case of balancing services, the Technical System Manager will propose the procedure of cost allocation and settlement for the use of balancing services to the National Authority for Markets and Competition for approval.

9. The invoices issued to users by the Technical System Manager for balancing actions will be differentiated and broken down by type of product and service.

10. After prior public consultation, the National Authority for Markets and Competition will approve, by means of a resolution, the methodology and settlement procedure for the settlement of costs and income arising from the use of balancing actions by the Technical System Manager. Once approved, it must be published on the websites of the Technical System Manager and the National Authority for Markets and Competition.

11. Where the National Authority for Markets and Competition detects inappropriate policies, the calculation methodology for imbalance rates that lead to imbalance charges and cost allocation for the Technical System Manager's balancing actions may be revised one year after its implementation, after public consultation. The review will be undertaken at the request of the Technical System Manager.

Fifteen. Financial guarantees.

1. The Technical System Manager will have the right to take the necessary measures with users, including the requirement of financial guarantees, with the aim of mitigating the non-payment of any amount owed from paid or pending settlements.

2. In the case of non-payment by a user, the Technical System Manager will not assume any loss, provided that the financial guarantees and other contractual requirements were duly applied.

3. A user's non-compliance with the obligation of depositing guarantees, as set out in this article, will imply the loss of the user's right to carry out notifications and, after due process, the cancellation of their user contract.

4. The Technical System Manager may authorise an approved third party for the management of guarantee activities, invoicing and settlements, the management of imbalance charges and payments carried out by the Technical System Manager. Furthermore, the Technical System Manager may authorise the approved third party to act as a central counterparty.

Sixteen. Information for users

1. The Technical System Manager will be responsible for providing users with the best available information in relation to their balance, before the gas day, during the gas day and after the gas day.

   All the information concerning user balances will be provided through the Technical System Manager's network third-party access IT system (SL-ATR).

2. Prior to 10:00 the day before the gas day, the Technical System Manager will publish in electronic format its gas-day estimate for demand for the

whole of the gas system in kWh/day, as well as all the information concerning the hypotheses used during the calculation.

3. Before 12:00 on the day before the gas day, via the network third-party access IT system, the distribution network operators will send the Technical System Manager the Day D demand forecast for their distribution network in electronic format, by user and with a breakdown of telemetrically and non-telemetrically measured consumption in kWh/d, in accordance with current regulations. Similarly, the carriers will send the Technical System Manager the forecast for their Day D deliveries by direct line, broken down by user and telemetrically and non-telemetrically measured consumption.

   With this information, where necessary, the Technical System Manager will recalculate the system's global demand for the gas day, expressed in kWh/d, and it will publish this in the network third party access IT system before 13:00 on the day before the gas day.

   Furthermore, also before 13:00 on the day before the gas day, the Technical System Manager will calculate the breakdown of the system's global demand by user and will notify each user concerning their share.

4. During the gas day, Technical System Manager, in collaboration with those responsible for metering and distribution, established in current regulations, will provide each user with information on at least two occasions, at 14:00 and 21:00, based on its own information and information from network operators. The information will refer to the user's gas position in the transmission network at 11:00 and 18:00 respectively.

   The information to be given to each user will be as follows:

   a) Inputs:
      In the transmission and distribution network, the gas introduced up to that time at each entry point of the transmission and distribution network as a whole that corresponds to the user, in kWh.
   b) Off-takes:
      In the transmission and distribution network:
      1. The telemetrically measured accumulated consumption up to that time corresponding to the user, in kWh, supplied by carriers and distributors.
      2. An updated estimate of the non-telemetrically measured demand that corresponds to the user for the entire gas day, in kWh/day, provided by distributors.
      3. Accumulated emission up to that time at the connection points determined in the System Technical Management Regulations, in kWh, provided by transmission and distributors operators.

5. Before 30 September 2018, the Technical System Manager, in collaboration with the transmission and distributors operators, will produce a report which it will send to the National Authority for Markets and Competition and the Directorate General for Energy Policy and Mines, assessing and detailing the costs and benefits of increasing the frequency of information provision to users, reducing the information deadlines and improving the forecasting of the supplied information, both during the gas day and the day before and after the gas day.

   Depending on this report, the National Authority for Markets and Competition, by means of a resolution, may introduce changes relating to the supply of information.

6. Furthermore, every year from 2016 onwards, and before the end of the year, the Technical System Manager will publish a report on the accuracy of the information on off-takes from the transmission and distribution network with no daily measurement.

Seventeen. Gas storage flexibility service

1. The transmission network's gas storage flexibility service will be the service that physically provides the storage capacity for the gas pipeline network as a whole.

2. The transmission network's flexibility service must meet the following conditions:
   1. It will be cost-neutral for the Technical System Manager. Income will cover the costs of the service, although the Technical System Manager may establish incentives to foster the efficient management of the service.
   2. The costs will be borne by the service's users.
   3. The service will be provided through market mechanisms.
   4. It will not prejudice domestic or cross-border trade.
   5. It will be consistent in the calculation of the daily imbalance amounts, established in previous sections, and limited to the level of storage available in the transmission network as a whole

3. The flexibility service may be put out to tender by the Technical System Manager in accordance with a methodology, which should have prior approval through a resolution from the National Authority for Markets and Competition.

4. The Technical System Manager's net financial result (costs minus income) corresponding to the flexibility service's tendering process, if applicable, will be considered as cost payable in the settlement system for regulated gas sector activities.

5. According to the needs of the gas system, the Technical System Manager will send a report to the National Authority for Markets and Competition, assessing the appropriateness and advisability of putting the transmission network's flexibility service out to tender.

Additional provision 1. End of storage capacity in the PVB.

From 1 January 2016, the PVB storage capacity available to users will be reduced to 50 percent of current values.

From 1 October 2016, the PVB storage capacity available to users will be 0 kWh/day.

Additional provision 2. Modification of manoeuvring gas

From 1 January 2016, the manoeuvring gas available to the Technical System Manager for maintaining the gas system under normal operating conditions will be set at 150 GWh.

From 1 October 2016, the manoeuvring gas available to the Technical System Manager for maintaining the gas system under normal operating conditions will be set at 0 GWh. The Technical System Manager will have a copy of the operational balance agreements between the interconnected transmission system operators at the points where there is nomination, in order to know the system's flexibility in its daily operations.

From 1 January 2016, at the end of each gas day, the Technical System Manager will maintain the physical stocks in the transmission and distribution system within a band centred on a value for physical stocks denominated as a reference value.

Additional provision 3. Authorising users.

Before 1 October 2016, the users operating in the PVB balancing zone, including those that already have an access contract, must be authorised as users with a balancing portfolio, by means of signing the corresponding framework contract with the Technical System Manager.

Transitory provision. Minimum adjustment value to be applied to the average weighted price for gas.

Until the imbalance rate calculation methodology is approved, the minimum adjustment value applicable to the average weighted gas price for trading platforms is set at 2.5% of that average price.

Final provision 1. Public consultations.

At the request of the National Authority for Markets and Competition, the Technical System Manager will be responsible for carrying out any public consultations that may be necessary for the development and application of the provisions contained in this circular, in such a way that ensures the participation of the users.

Final provision 2. Effective date.

The circular will come into force the day after its publication in the Official Spanish State Gazette.

However, the following application dates are established:

1. 1 November 2015:
   a) By this date, the user authorisation procedure must be in place, in accordance with section 5.
   b) By this date, the notification of gas ownership transfer procedure must be in place, in accordance with section 6.
   c) By this date, the nomination and renomination procedure must be in place, in accordance with section 12.
   d) By this date, the procedure for communicating information to users must be in place, in accordance with section 16.

2. The remaining provisions must be in place by 1 October 2016.

Madrid, 22 July 2015.– José María Marín Quemada, president of the National Authority for Markets and Competition