

**Agreement on Access to the Wholesale
Market
for Electrical Power in Norway
(The Balance Agreement)**

between

Statnett SF
(hereinafter called Statnett)

and

"The Balance Responsible Market Player"
(hereinafter called "The Balance Responsible Market Player"),

Company Registration Number:
"999 999 999"

The following agreement has been entered into:

1 Introduction

With the authorisation of NVE (the Norwegian Water Resources and Energy Directorate) Statnett has been allocated the role as authority responsible for settlements in the Regulated Power Market. The authority responsible for settlements puts together and combines all trade and exchange activities in the wholesale market for electrical power in Norway and calculates the Regulated Power.

In accordance with the regulation on metering, settlement and co-ordinated actions in power trading and invoicing of network services of 11 March 1999 ("The Regulation") § 4-7, the authority responsible for settlements and the Balance responsible market player shall regulate conditions in connection with clearing of regulated power in a separate agreement.

In the authorisation under section 5 "Establishing Security" it is stated that the "Licensee shall establish an arrangement that provides the players with satisfactory guarantees for the settlement of the trading".

The Balance responsible market player shall comply with rules and regulations valid at any one time.

It is on this basis that the agreement between Statnett and the Balance Responsible Market Player is established. The Balance Agreement provides access to the Norwegian wholesale market for electrical power.

The Agreement is to be presented to NVE, cf. §4-7 of the Regulation and the Authorisation section 22.

2 The Parties

The parties of the contract are Statnett and the Balance Responsible Market Player.

3 Credit assessment and establishment of security

Every balance responsible market player shall provide security for financial settlements. The requirements for the type and amount of the security are based on the balance responsible market player's capital strength and trading position.

At the request of Statnett the balance responsible market player shall provide all the information required by Statnett in order to assess further need for security. This applies both on entering into this agreement and at any particular time while the agreement is in force.

Assessments will take place continuously as to whether the security requirements are to be relaxed or tightened. Statnett will decide when there is a need for security, what type of security is required and the amount. The balance responsible market player may require Statnett to justify the need for the security demanded.

If the balance responsible market player cancels the agreement, cf. Section 13, the balance responsible market player shall settle with Statnett all turnover of trade in the wholesale market before the agreement ends. The same applies if a new balance agreement is to be established, and security shall also be established for any amount

outstanding. Statnett shall accept a new balance responsible market player unless there is a valid reason to refuse it.

”Rules on calculation of the amount of security” is included in attachment 2 of this agreement.

4 Transfer of administration of the security

In accordance with this agreement Statnett may transfer the administration of the security to another company. The company to which Statnett transfers security may adopt the contents of the rules in this agreement with regard to the balance responsible market player. Statnett must inform the balance responsible market players if the administration of the security is being transferred to another company.

5 Rationing

If the Ministry implements rationing in accordance with the energy act §5A-2 the agreement is to be set aside to the extent necessary in order to ensure that the rationing is implemented in a way that is rational for society as a whole, cf. The regulation §8-1a, and in accordance with any instructions that may come from the authorities.

6 Fees

In accordance with the regulation §4-8 Statnett can claim a fee from network companies and the balance responsible market player. The fees shall be fixed so as to cover “the costs of effective operation” of Statnett’s services. Statnett may alter the fee rates with one month’s notice.

7 Confidentiality

Unless otherwise agreed, Statnett is obliged to treat confidentially, any information collected confidentially. This does not apply where the authorities, in compliance with rules of public justice, require the right of inspection. Information may also be made public whenever the balance responsible market player otherwise gives his permission, or where the information is rendered anonymous to such an extent that it cannot be traced back to the individual balance responsible market player. This also applies for the company that, in accordance with the agreement’s section 4, administers the security for Statnett.

8 Breach of contract

Breach of the Balance Agreement with its annexes, and breach of the regulation are regarded as a breach of the agreement.

It is regarded as breach of contract if the balance responsible market player does not plan for a situation of balance, i.e. a situation in which consumption and access to power are in balance.

It is regarded as breach of contract if the balance responsible market player does not meet outstanding claims on time.

Statnett shall notify the balance responsible market player of the breach of contract and give the balance responsible market player a deadline for rectifying the situation.

Unofficial translation. Official documents are in Norwegian language

In the case of a significant default, Statnett may rescind the contract with immediate effect, with the consequence that the balance responsible market player is excluded from the wholesale market for electrical power.

It is considered a significant breach of contract if:

- The balance responsible market player cannot document the planned balance for the next 24 hours at the request of Statnett.
- The balance responsible market player is not able to raise the required security.
- There are repeated breaches of the agreement, or if the balance responsible market player does not rectify the default on the contract by the deadline set by Statnett in accordance with this section's fourth subsection,

On the cancellation of the agreement Statnett shall immediately notify NVE, the grid owners and other balance responsible market players where the balance responsible market player has rights or obligations.

9 Force majeure

The obligation to comply with the agreement is suspended and the parties are relieved of any responsibility for insufficient compliance if, and as far as the following conditions exist:

There is a hindrance preventing compliance with the agreement,

- the hindrance is outside the control of the parties,
- the hindrance is of a type that the parties could not reasonably be expected to have taken it into consideration at the time this agreement was entered into
- the parties could not reasonably have been expected to avoid or surmount the impacts of the hindrance.

A hindrance that prevents the compliance as mentioned in section one may be a natural catastrophe, strike, lockout, and sabotage.

In cases of force majeure the other party shall be notified as soon as possible.

Both parties are obliged to prevent the impacts of hindrances, as quickly as possible and to remedy any fault that has occurred and to resume normal operations.

10 Liability for damages

The parties are liable for damage, inconvenience and loss inflicted on the other party with intent or by negligence.

The parties are not liable for indirect loss or consequential damage, unless such loss or damage is due to intent or gross negligence.

If the aggrieved party does not implement all reasonable measures in order to limit the damage, the compensation may be reduced.

11 Information

The parties are reciprocally responsible for exchanging information that has significance for the implementation of this agreement. The information shall be exchanged without unnecessary intermission.

12 Changes in the agreement as well as in the appendix

If Statnett wishes to undertake changes to the agreement, the proposed changes shall be submitted to the balance responsible market player for comments with a deadline of one month. The balance responsible market player's customer committee and Statnett's user council shall be presented with the changes for comment. The comments shall follow further processing in the system. The changes in the agreement shall be submitted to NVE and published one month before implementation.

If a balance responsible market player wishes to undertake changes to the balance agreement or the agreement's appendices, the proposed changes shall be submitted in writing to Statnett. Statnett shall subject the proposals to a comprehensive and speedy assessment. Statnett's final assessment of the proposal shall be justified in writing.

Statnett has the right to undertake changes unilaterally to the appendices with one week's notice

13 Duration and cancellation

This agreement enters into force on the date stated in §16. The agreement will run until it is cancelled in writing by one of the parties.

The agreement may be cancelled with one month's notice. On the cancellation of the agreement the provisions of the agreement will apply until the balance responsible market player has met all the commitments in respect of this agreement or transferred his commitments to another balance responsible market player.

14 Cessation of the Balance Agreement

When changes take place with the balance responsible market player, such as reorganisation, fission, fusion, new company registration number, or other changes in the company structure, Statnett may demand that a new Balance Agreement be entered into.

The balance responsible market player shall keep Statnett informed about such processes, cf. section 11.

15 Disputes

Disputes as to the understanding of this agreement are to be resolved by arbitration unless one of the parties does not wish to have the case brought before the court. Oslo District Court is approved as the venue for arbitration.

The arbitration court decides the case with final effect for the parties. In cases of arbitration the rules in the Act on Litigation in Disputes of 13 August 1915, chapter 32 are adhered to. The arbitration court is in Oslo.

Arbitration decisions shall be accessible to others who did not participate in the dispute, with the exception of information, which, in accordance with this agreement, is regarded as confidential.

16 Entry into force

This agreement enters into force on the date of signing. Statnett may set another date for entry into force, and in such a case the balance responsible market player shall be notified about this one week in advance at the latest.

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This agreement is issued in 2 – two copies, whereof each of the parties keep one.

Oslo, ,

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Statnett

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The Balance Responsible Market Player

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Repeated in printed letters

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Repeated in printed letters

Appendices to the Balance Agreement:

Appendix 1: Rules for reporting, combining and financial settlement in the balance settlement

Appendix 2: Rules on calculation of the amount of security

Appendix 1
The Balance Agreement

Rules for reporting, combining and financial settlement in the balance settlement

1.0 General comments

One balance responsible market player may assume the balance responsibility for other suppliers.

Statnett shall be informed at least 10 working days in advance when balance responsibility is transferred to another balance responsible market player

2.0 Conditions of responsibility and reporting of settlement data to Statnett

- 2.1 Any dispute between the client and the other party concerning the quality of data reported to the balance settlement is not the liability of Statnett.
- 2.2 Settlement documentation that is not reported by NVE's deadline is to be regarded as submitted and the settlement documentation is set at zero.
- 2.3 The settlement documentation is to be reported in such a way as to make all consumption and production in one area appear in the balance settlement (Gross settlement)
- 2.4 The settlement documentation is to be submitted to Statnett in accordance with NVE's *Regulation on metering, settlement and co-ordinated actions on power trading and invoicing of network services*, as applicable at the time.
- 2.5 Bilateral contracts exist between two suppliers. The selling party is responsible for gathering new component codes, reporting settlement data and reporting to the authority responsible for settlements whenever a component code or a supply terminates. Supply termination is to be reported one day in advance at the latest.
- 2.6 In power stations with joint ownership the operator can report bilateral energy both purchased and sold to his co-partners. This is done by using an own type of component. Both the operator and the opponent in the bilateral relationship must in writing confirm to the authority responsible for settlements that they approve this reporting condition.
- 2.7 Bilateral contracts can be reported in advance in order to reduce the requirement for security. This form of reporting is optional. Operators requesting this type of advance reporting must confirm this in writing to the authority responsible for settlements. Registered volumes on Sunday 23.15 pm will be the basis for the security calculation.

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Bilateral agreements reported in advance will every Sunday at 23.15 pm be binding for the next calendar week's trading. However, it will be possible to report higher volumes up to the reporting deadline, but not lower. The latest reported volumes before normal reporting deadlines will be included in the regulated power balance.

3.0 Statnett's calculation of the regulated power balance

- 3.1 The calculation of the regulated power balance shall be executed in compliance with NVE's *Regulation on metering, settlement and co-ordinated actions on power trading and invoicing of network services*.
- 3.2 Special regulations are included in the balance settlement.

4.0 Settlement

- 4.1 In the regulated power market weekly settlements are made. Invoices and credit notes are sent out when the settlement documentation is put together, combined and checked. In addition to purchases and sales of regulated power, the invoices or the credit notes also contain special regulation and fees.
- 4.2 The balance responsible market player has three bank working days to make a complaint about errors in the calculation. Statnett undertakes a correction settlement if Statnett is at fault and if the correction is significant.
- 4.3 The settlement is made in Norwegian Kroner (NOK).
- 4.4 The invoice falls due six bank working days following the invoicing date. The invoiced amount shall be available in Statnett's bank account with the value date being the same as the due date. A credit note is paid so that the amount is normally available in the balance responsible market player's account at the latest three bank working days after Statnett's value date
- 4.5 Statnett may, on the basis of credit ratings, set shorter payment deadlines.
- 4.6 When payment is overdue the parties are entitled to interest on arrears in accordance with Act of 17 December 1976 No. 100 on interest on overdue payment or provisions that replace this Act.
- 4.7 Where settlement errors caused by Statnett occur, interest compensation is to be calculated if one of the parties demands it. The interest rate shall be three – 3 – month's NIBOR on the 15th of the month the payment falls due. The amount is calculated on the relevant term deviation of in / out payment until correction falls due.
- 4.8 In the case of deficient security or delayed payment Statnett may set off the amount due including interest and expenses against the balance responsible market player's next and subsequent weeks' forthcoming net sales of regulated power.
- 4.9 The balance responsible market player shall have an account in a bank that performs ordinary banking activities in Norway. This bank account shall be used for settlement for regulated power.

5.0 Definitions

Authority responsible for settlements:

The one who is appointed in accordance with the energy Act §4-3, Statnett

Settlement week:

The period from Monday at 00:00 hours to Sunday at 24:00 Norwegian local time

The balance responsible market player:

A company which has a balance agreement with Statnett and which is reconciled for regulated power.

The wholesale market:

All trading and exchange of electrical power included in the balance settlement and which is put together and combined by the authority responsible for settlements.

Component:

Metered or agreed exchange of power between two parties.

Component code:

The unique identification code of a component.

Component type:

Component that describes type of settlement data.

Supplier:

Licensed supplier who sells electrical energy to an end user. End users trading in organised markets are also suppliers.

Grid owner:

Licensed supplier who owns transmission grids or is responsible for grid services. Grid owners who are being assessed for their own imbalance in the regulated power market are also balance responsible market players.

Reporting responsible:

Company that is responsible for reporting settlement data to Statnett

Regulated power:

The deviation between anticipated and actual power available and the consumption of power.

Regulated power market:

The market for dealing with imbalance in the power system during operating hours.

End user:

Power buyer who does not resell it.

Exchange point:

Switching or power station in the network where the parties agree to meet

Appendix 2
The Balance Agreement

Rules for calculating the amount of the security

1 General comments

In compliance with the Balance Agreement section 3 the amount of the security shall be calculated in compliance with the rules of this appendix.

2 Security for the settlement risk

All balance responsible market players must put up security for the settlement risk. Normally the collateral demand is calculated with a formula based on the trading in the wholesale market. Thereafter trading and solidity is evaluated and Statnett can, if the conditions require it, increase the security requirement further than the formula indicates.

The following formula shall be used when calculating the weekly collateral demand:

$$\text{Collateral demand} = 2 * F_1 + F_2 + (V_1 + V_2) * P$$

The variables are defined in the following way:

- F_1 invoices not paid within due date
- F_2 invoice amount of the last settled week
- V_1 is 50% of the last settled week's consumption, after the advanced reported bilateral volumes for next calendar week is subtracted.
- V_2 is 50% of last week's bilateral sales and sales in Elspot (at Nord Pool Spot)
- P average price in the regulated power market for the previous calendar week

All parameters in the formula are set higher than zero or zero before summing the formula. Statnett may set upper and lower limits on V_1 and V_2 . A lower limit for V_1 is set to be no lower than 10% of last week's settled consumption.

The balance responsible market player shall as a minimum put up NOK 200, 000 as security.

The principles described in this sections may be deviated from if extraordinary conditions require this, cf. §3 in the Balance Agreement.

Satisfactory security must be in place before the trading can begin.