



Statnett

FINGRID

ENERGINET



SCHEDULE A TO RESPONSE TO THE NORDIC NRAS' REQUEST FOR INPUT (MAY 2021)

PROPOSAL FOR THE ESTABLISHMENT OF A REGIONAL COORDINATION CENTRE

FOR THE NORDIC REGION COMPRISING SWEDEN, DENMARK, NORWAY AND FINLAND

2 July 2020

amended as of 14 January 2021 per request by the NRAs
and

amended as of [*] 2021 per request by the NRAs

on behalf of the TSOs in Sweden, Denmark, Norway and Finland:

Affärsverket Svenska kraftnät, Energinet Elsystemansvar A/S, Statnett SF, Fingrid Oyj and Kraftnät Åland AB

2021-07-08

2020-102996-0003

TABLE OF CONTENTS

1.	INTRODUCTION	4
2.	CERTAIN DEFINITIONS	6
3.	SEAT OF NORDIC RCC AND PARTICIPATING TSOS	8
3.1	The seat of the Nordic RCC	8
3.2	Participating TSOs	8
4.	ORGANISATIONAL, OPERATIONAL AND FINANCIAL ARRANGEMENTS	9
4.1	Organisational arrangements	9
4.1.1	Legal form and purpose of the Nordic RCC	9
4.1.2	Governance structure	10
4.1.3	The Board of Directors	11
4.1.4	Chief Executive Officer	12
4.1.5	Checks and balances	12
4.1.6	General Meetings of Shareholders	13
4.1.7	Participation of Kraftnät Åland	13
4.2	Operational arrangements	14
4.2.1	Tasks of the Nordic RCC	14
4.2.2	Tasks performed on a pan-European rotational basis	15
4.2.3	Interface between Participating TSOs and the Nordic RCC	16
4.2.4	Cooperation Committee	18
4.2.5	Operational management	18
4.2.6	Human resources	18
4.2.7	Technical and physical resources	19
4.2.8	Audit, reporting and monitoring	19
4.3	Financial arrangements	20
4.3.1	Establishment and funding of the Nordic RCC	20
4.3.2	Financial resources	20
5.	IMPLEMENTATION PLAN	21
6.	STATUTES AND RULES OF PROCEDURE OF THE NORDIC RCC	21
7.	COOPERATIVE PROCESSES WITHIN THE NORDIC RCC AND BETWEEN THE NORDIC RCC AND OTHER REGIONAL COORDINATION CENTRES	22
7.1	Working arrangements	22
7.2	Consultation procedure	24
7.3	Procedure for adoption and review of coordinated actions and recommendations	25
8.	ARRANGEMENTS CONCERNING LIABILITY OF THE NORDIC RCC	27
9.	TASKS PERFORMED ON A ROTATIONAL BASIS WITHIN THE NORDIC SOR	28

2021-07-08

2020-102996-0003

10. CONTACT PERSONS

LIST OF ANNEXES

- Annex 3.2.5: Process for exclusion and re-inclusion of Statnett as a shareholder
- Annex 5.1: Implementation Plan
- Annex 6.1: Articles of Association
- Annex 6.2: Rules of Procedure, including its appendix 3.2.3 (Guidelines to the Chief Executive Officer)

1. INTRODUCTION

- 1.1 Affärsverket Svenska kraftnät ("**Svenska kraftnät**"), Energinet Elsystemansvar A/S ("**Energinet**"), Statnett SF ("**Statnett**") and Fingrid Oyj ("**Fingrid**") are transmission system operators ("**TSOs**") and (directly or indirectly) owns, operates, maintains and develops the transmission grids of, respectively, Sweden, Denmark, Norway and Finland (except the Åland Islands). Svenska kraftnät, Energinet, Statnett and Fingrid are in the following collectively referred to as the "**Nordic TSOs**".
- 1.2 Kraftnät Åland AB ("**Kraftnät Åland**") is the TSO of the Åland Islands and owns, operates, maintains and develops the transmission grid supplying electricity for the Åland Islands. The transmission system operated by Kraftnät Åland is significantly different in size compared to the transmission systems operated by the four Nordic TSOs. Thus, Kraftnät Åland has a different organisational set-up and a different pool of resources. Kraftnät Åland is linked to Fingrid and the mainland of Finland through the "HVDC submarine cable connection ÅLink" owned by Kraftnät Åland and linked to Svenska kraftnät through DSO Vattenfall's regional network and AC submarine cable owned by Kraftnät Åland.
- 1.3 The Nordic TSOs are currently parties to a Cooperation Agreement regarding regional security coordination in the Nordic region, Nordic RSC dated as of 16 November 2016 (the "**Nordic RSC Agreement**"). The Nordic RSC Agreement sets forth the general framework for the cooperation between the Nordic TSOs for the establishment and operation of the Nordic Regional Security Coordinator (the "**Nordic RSC**") in the form of a joint office. Kraftnät Åland is not party to the Nordic RSC Agreement and does not participate in the Nordic RSC.
- 1.4 The Nordic RSC is, thus, not established as a corporation or other type of entity and, therefore, does not have a separate legal identity and, accordingly, does not own any assets or have any employees hired directly by the Nordic RSC. Instead, the Nordic TSOs own the assets used for carrying out the activities related to the Nordic RSC and employees employed by the Nordic TSOs are engaged with performing the activities of the Nordic RSC.
- 1.5 Pursuant to Regulation (EU) 2019/943 of 5 June 2019 on the internal market for electricity ("**EIReg**"), Article 35, the TSOs of a system operation region shall submit a proposal for the establishment of one or more regional coordination centres (each an "**RCC**") to the regulatory authorities concerned in accordance with the criteria and requirements set forth in EIReg. The RCCs shall have a legal form and shall replace the regional security coordinators established pursuant to the system operation guideline adopted on the basis of Article 18(5) of Regulation (EC) No. 714/2009 and shall enter into operation by 1 July 2022. The regional security coordinator for the Nordic region is the Nordic RSC.
- 1.6 On 6 April 2020, the European Agency for the Cooperation of Energy Regulators ("**ACER**") adopted its decision no. 10/2020 (the "**ACER decision**") on the definition of system operation regions. Pursuant to the ACER Decision a system operation region consisting of Sweden, Denmark and Finland (including the Åland Islands) (the "**Nordic SOR**") is established.
- 1.7 Consequently, the TSOs of the Nordic SOR, i.e. Svenska kraftnät, Energinet, Fingrid and Kraftnät Åland, are legally obliged to establish and participate in an RCC covering the Nordic SOR and the RCC covering the Nordic SOR shall replace the Nordic RSC. Notwithstanding the foregoing, the formal establishment of the RCC covering the Nordic SOR (as further described below) and participation therein by each of Svenska kraftnät, Energinet, Fingrid and Kraftnät Åland may be subject to approval by relevant national authorities once all relevant details of the RCC covering the Nordic SOR are final.

- 1.8 However, as Sweden, Denmark, Finland (including the Åland Islands) and Norway (collectively, the "**Nordic Region**") for a long time have constituted a synchronous area, as the grid in the Nordic Region is highly interconnected, and as the TSOs of the Nordic Region, i.e. Svenska kraftnät, Energinet, Fingrid, Kraftnät Åland and Statnett, have a broad and well-established cooperation within the Nordic Region and, *inter alia*, for many years have been parties to a system operation agreement, which was recently replaced by that certain System Operation Agreement between the Nordic Transmission System Operators dated 14 August 2019 (the "**SOA**"), therefore, in the interest of ensuring reliability, quality and efficiency and for purposes of establishing the best solutions for the Nordic Region as a whole, Svenska kraftnät, Energinet, Fingrid and Kraftnät Åland wish to include Statnett in the arrangements relating to the RCC for the Nordic SOR and thereby establish an RCC for the Nordic Region as a whole (the "**Nordic RCC**") and Statnett wishes to participate in the Nordic RCC.
- 1.9 Accordingly, Svenska kraftnät, Energinet, Fingrid and together with Statnett will in order to establish the Nordic RCC incorporate a company in the form of a Danish public limited liability company (in Danish "*aktieselskab*") which will be equally owned by Svenska kraftnät, Energinet, Fingrid and Statnett. All shares will have the same voting rights. Given the small size of Kraftnät Åland and given that Kraftnät Åland will not need the same level of services from the Nordic RCC as the Nordic TSOs, Kraftnät Åland will not own shares in the Nordic RCC but will participate in the Nordic RCC through contractual agreements with the Nordic TSOs and with the Nordic RCC. The participation of Kraftnät Åland in the Nordic RCC is further described in section 4.1.7.
- 1.10 It must be noted that at the date hereof, EIReg has not been adopted and implemented in Norway. Norway is pursuant to the Agreement on the European Economic Area entered into between the European Union and three of the four EFTA countries, Iceland, Lichtenstein, and Norway (collectively, the "**EEA EFTA Countries**"), as amended, legally obliged to adopt and implement EIReg in Norway subject to a decision by the EEA Joint Committee. However, at the date hereof, the adoption process between the EEA EFTA Countries and the European Union with respect to EIReg has not been agreed. Consequently, until the date of such adoption and implementation of EIReg in Norway, Statnett will participate in the Nordic RCC on a voluntary basis subject, however, to applicable Norwegian legislation and the terms of Statnett's licenses from the Norwegian authorities, and be a party to contractual agreements with Svenska kraftnät, Energinet, Fingrid and Kraftnät Åland setting forth the terms of Statnett's as well as the other TSOs' participation in the Nordic RCC. However, Statnett cannot by way of such agreements deviate from its obligations under applicable Norwegian legislation and the terms of its licenses from the Norwegian authorities.
- 1.11 Please refer to section 3.2.4 for a description of the contractual arrangements to be made between the Nordic TSOs and between the Nordic TSOs and the Nordic RCC. It is foreseen that regulatory approval in Norway may be necessary for Statnett to undertake such contractual arrangements and Statnett expects to obtain such approval, if applicable, from the Norwegian authorities in due time. Subject to the approval being obtained, Statnett has confirmed that Statnett can undertake the obligations set out in this proposal (including its annexes) (the "**Proposal**") and the Shareholder Agreement to be entered into between the Nordic TSOs, as further described in section 3.2.5. If the national circumstances change in Norway and it on that basis becomes clear that Statnett can no longer participate in the Nordic RCC on the terms which the other Participating TSOs are subject to, Statnett's participation in the Nordic RCC shall terminate with immediate effect.
- 1.12 On this basis, Svenska kraftnät, Energinet, Fingrid together with Statnett have jointly prepared this Proposal for the establishment of the Nordic RCC in accordance with EIReg. Kraftnät Åland has been involved in the preparation of this Proposal and agree to the role and participation of Kraftnät Åland set out in this Proposal.
- 1.13 This Proposal is structured pursuant to and describes the elements mentioned in Article 35(1)(a) - (g) of EIReg. Further, as the Nordic RCC at the date of this Proposal is not established as a company under Danish law, this

Proposal includes information on the expected process of establishing the Nordic RCC in order for the Nordic RCC to enter into operations by 1 July 2022 (the "**Operations Date**"). The process up until the Operations Date is in this Proposal referred to as the "implementation phase". Thus, the actual establishment of the Nordic RCC will be done as part of the implementation phase prior to the Operations Date. The expected steps for incorporating the Nordic RCC as well as the other steps of the implementation phase are set forth in the Implementation Plan, please refer to Annex 5.1.

- 1.14 The purpose of the Nordic RCC will be to carry out the mandatory tasks set out in EIReg and such additional tasks that the Nordic TSOs may agree to delegate to the Nordic RCC provided, of course, such additional tasks can legally be delegated to the Nordic RCC. The overall guiding principles for the Participating TSO while preparing this Proposal have among others been:
- (a) independence;
 - (b) transparency; and
 - (c) clear roles and lines of communication to ensure the foregoing.

For example, chairmanship of the management board (in this Proposal referred to as "Board of Directors") rotates and the chairperson and the Chief Executive Officer cannot have the same nationality (please refer to section 4.1). Further, since the Nordic RCC will interact with the Participating TSOs in their capacity of TSOs in order for the Nordic RCC to comply with EIReg and carry out its tasks (for example the Nordic RCC is dependent on receiving certain information from the Participating TSOs), the Participating TSOs want to establish a clear structure for this interaction and detailing how it shall be conducted. Also, the Participating TSOs find it supportive for the independence of the Nordic RCC that this cooperation is managed outside of the Board of Directors. Consequently, the Participating TSOs will establish a Cooperation Committee where the Participating TSOs and the Nordic RCC (via the Chief Executive Officer) are represented and interacts with a view to supply each other information as required under EIReg, see section 4.2.4 and generally to ensure that adequate efficient processes are established. The Cooperation Committee can provide recommendations to the Nordic RCC, but not instruct or otherwise affect the independence of the Nordic RCC.

2. CERTAIN DEFINITIONS

- 2.1 "ACER" shall have the meaning given to the term in section 1.6.
- 2.2 "ACER Decision" shall have the meaning given to the term in section 1.6.
- 2.3 "Annex" means an annex to this Proposal.
- 2.4 "Articles of Association" shall have the meaning given to the term in section 6.1.
- 2.5 "Backup RCC" means the RCC that will perform a task if the Main RCC cannot perform it.
- 2.6 "Baltic SOR" has the meaning set out in the ACER Decision.
- 2.7 "Board of Directors" shall have the meaning given to the term in section 4.1.2.1.
- 2.8 "CACM Regulation" means Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management.
- 2.9 "CCR" means a capacity calculation region as determined pursuant to Article 15 of the CACM Regulation.

- 2.10 "**CCR Nordic**" means the Nordic capacity calculation region as defined in Annex I to decision no. 06/2016 of ACER dated 17 November 2016 on the electricity transmission system operators' proposal for determination of capacity calculation regions.
- 2.11 "**Central Europe SOR**" has the meaning set out in the ACER Decision.
- 2.12 "**CEO Guidelines**" shall have the meaning given to such term in section 4.1.4.3.
- 2.13 "**CGM**" means common grid model.
- 2.14 "**CGMM**" means Common Grid Model Methodology.
- 2.15 "**Chairperson**" shall have the meaning given to such term in section 4.1.3.3.
- 2.16 "**Chief Executive Officer**" shall have the meaning given to the term in section 4.1.2.1.
- 2.17 "**Cooperation Agreement**" shall have the meaning given to the term in section 3.2.3.
- 2.18 "**Cooperation Committee**" shall have the meaning given to the term in section 4.2.4.
- 2.19 "**EEA EFTA Countries**" shall have the meaning given to such term in section 1.10.
- 2.20 "**Electricity Coordination Group**" means that certain Electricity Coordination Group set up pursuant to Commission Decision of 15 November 2012 setting up the Electricity Coordination Group (OJ C 353, 17.11.2012, p. 2).
- 2.21 "**EIReg**" shall have the meaning given to the term in section 1.5.
- 2.22 "**Energinet**" means Energinet Elsystemansvar A/S, Danish company registration no. 39314959.
- 2.23 "**ENTSO-E**" means the European Network of Transmission System Operators for Electricity.
- 2.24 "**ER Regulation**" means Commission Regulation (EU) 2017/2196 of 24 November 2017 establishing a network code on electricity emergency and restoration.
- 2.25 "**FCA Regulation**" means Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation.
- 2.26 "**Fingrid**" means Fingrid Oyj, Finnish company registration no. 107289-3.
- 2.27 "**General Meeting**" shall have the meaning given to the term in section 4.1.4.1.
- 2.28 "**IGM**" means individual grid model.
- 2.29 "**Implementation Plan**" shall have the meaning given to the term in section 5.1.
- 2.30 "**Kraftnät Åland**" means Kraftnät Åland AB, Finnish company registration no. 1068562-1.
- 2.31 "**Main RCC**" means the RCC responsible for performing a task that is performed on a rotational basis.
- 2.32 "**Member State**" means a member state of the European Union.
- 2.33 "**Nordic RCC**" shall have the meaning given to the term in section 1.8.
- 2.34 "**Nordic Region**" shall have the meaning given to the term in section 1.8.
- 2.35 "**Nordic SOR**" shall have the meaning given to the term in section 1.6.
- 2.36 "**Nordic TSOs**" shall mean Fingrid, Svenska kraftnät, Statnett and Energinet, collectively.

- 2.37 "NRA" means a national regulatory authority.
- 2.38 "OPC" shall have the meaning given to the term in section 4.2.2.2.
- 2.39 "Operations Date" shall have the meaning given to the term in section 1.13.
- 2.40 "Participating TSO" shall mean each of Fingrid, Svenska kraftnät, Statnett, Energinet and Kraftnät Åland, individually and collectively.
- 2.41 "Proposal" shall mean this Proposal including the Annexes hereto.
- 2.42 "RCC" means a regional coordination centre established pursuant to Article 35 of EIReg.
- 2.43 "Service Agreement" shall have the meaning given to the term in section 3.2.4.
- 2.44 "Shareholder" shall mean each of Fingrid, Svenska kraftnät, Statnett and Energinet, individually and collectively.
- 2.45 "Shareholders' Agreement" shall have the meaning given to the term in section 3.2.4.
- 2.46 "SOA" shall have the meaning given to the term in section 1.8.
- 2.47 "SO Regulation" means Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation.
- 2.48 "SOR" means a system operation region.
- 2.49 "STA" shall have the meaning given to the term in section 4.2.2.3.
- 2.50 "Statnett" means Statnett SF, Norwegian company registration no. 962 986 633.
- 2.51 "Svenska kraftnät" means Affärsverket Svenska kraftnät, Swedish Government Agency registration no. 202100-4284.
- 2.52 "TSO" means a transmission system operator as defined in EIReg, Article 2 (53).

3. SEAT OF NORDIC RCC AND PARTICIPATING TSOS

3.1 The seat of the Nordic RCC

- 3.1.1 The Member State of the seat and the registered seat of the Nordic RCC shall be Denmark.

3.2 Participating TSOs

- 3.2.1 The TSOs that will be participating in the Nordic RCC are:

Svenska kraftnät
Energinet
Statnett
Fingrid
Kraftnät Åland

Svenska kraftnät, Energinet, Statnett, Fingrid and Kraftnät Åland are hereinafter collectively referred to as the "Participating TSOs".

- 3.2.2 Svenska kraftnät, Energinet, Fingrid and Statnett will participate in the Nordic RCC as shareholders and will equally own the shares of the Nordic RCC, as also mentioned in section 1.9. Svenska kraftnät, Energinet, Fingrid and Statnett will hereinafter collectively be referred to as the "**Shareholders**". All shares will have the same voting rights.
- 3.2.3 Kraftnät Åland will participate in the Nordic RCC through contractual agreements with the Shareholders and with the Nordic RCC, including a cooperation agreement between Kraftnät Åland, the Shareholders and the Nordic RCC (the "**Cooperation Agreement**"), as further described in section 4.1.7 below.
- 3.2.4 Statnett's participation in the Nordic RCC will as set out in section 1.10 and 1.11 initially and until adoption and implementation of EIReg in Norway be on a voluntary basis. Statnett will enter into a shareholders' agreement with the other Shareholders (the "**Shareholders' Agreement**") pursuant to which each of the Shareholders will be obliged to participate in the establishment of the Nordic RCC in full compliance with EIReg and applicable corporate law requirements. Thus, Statnett will contractually participate on equal terms as applicable to Svenska kraftnät, Energinet and Fingrid. Further, Statnett will (together with the other Shareholders) enter into a service agreement (the "**Service agreement**") pursuant to which the Nordic RCC will be obliged to perform the tasks pursuant to EIReg on behalf of and for Statnett (and the other Shareholders).
- 3.2.5 Apart from the Norwegian regulatory approval described in section 1.11, at the date of this Proposal, no restrictions that will impact Statnett's participation in the Nordic RCC as set out in this Proposal, the Shareholders' Agreement and the Service Agreement as regards the provision of information and the receipt of recommendations and advice have been identified in Norwegian legislation or Statnett's licenses. If and to the extent that such restrictions exist, regulatory approval as mentioned in section 1.11 is being denied, or Norwegian legislation and/or Statnett's licenses or EU legislation would have the effect that Statnett could not participate in the Nordic RCC on equal terms as applicable to the other Shareholders, Statnett's participation in the Nordic RCC will terminate with immediate effect at the time it becomes clear that any such restrictions exist, the regulatory approval is denied, or any amendments in Norwegian legislation and/or Statnett's licenses or EU legislation have the effect that Statnett cannot participate in the Nordic RCC on the terms which the other Participating TSOs are subject to. Such termination would not affect the obligations of the other Shareholders or Kraftnät Åland who in that case would still be obliged to participate in the Nordic RCC as set out mainly in the Shareholders' Agreement and the Cooperation Agreement thereby ensuring that none of the other Shareholders or Kraftnät Åland will assume any obligation that is contrary to EIReg and applicable regulations and ensuring that the requirements of EIReg will at all times be fulfilled. The overall process for such exclusion of Statnett as a shareholder in the Nordic RCC and the process for re-inclusion of Statnett as shareholder in the Nordic RCC is set out in [Annex 3.2.5](#) which also includes a description of Statnett's participation as a service recipient following such exclusion and until a potential re-inclusion as a shareholder.

4. ORGANISATIONAL, OPERATIONAL AND FINANCIAL ARRANGEMENTS

4.1 Organisational arrangements

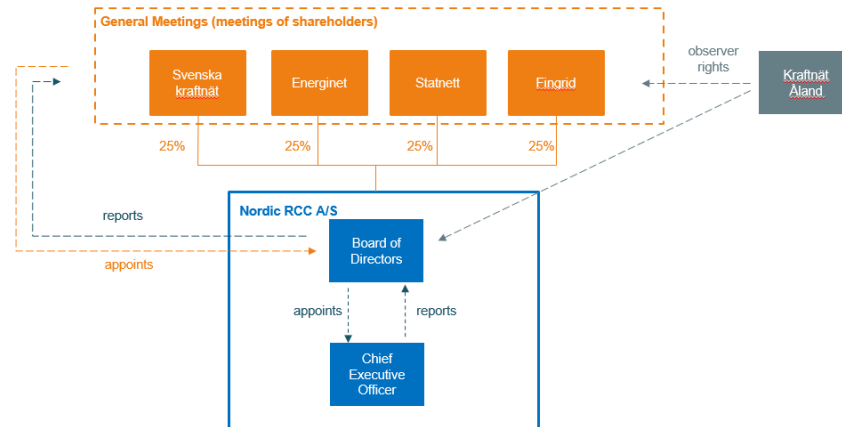
4.1.1 Legal form and purpose of the Nordic RCC

- 4.1.1.1 The Nordic RCC will be established as a Danish public limited liability company (in Danish "*aktieselskab*") for an indefinite period of time. The establishment will be part of the implementation phase.

- 4.1.1.2 The purpose of the Nordic RCC will be to carry out pre- and post-operational coordination activities as specified in EIReg in the Nordic Region and other regions, as applicable, with a view to bring added value compared to tasks performed at national level. The Nordic RCC's purpose will include, without limitation:
- (a) performance of the tasks allocated to the Nordic RCC as stated in Articles 37(1), 38, 40, 41, 46 and 47 of EIReg; and
 - (b) cooperation with other RCCs as stated in Article 38 of EIReg.
- 4.1.1.3 In order to satisfy its purpose as set out in section 4.1.1.2 above, the Nordic RCC will:
- (a) Enter into service agreements with the Participating TSOs and with other TSOs which will receive services from the Nordic RCC. Such service agreements will set forth the obligation of the Nordic RCC to deliver the tasks pursuant to EIReg and will likewise specify the service recipient's obligation in accordance with Article 37(3) of EIReg to provide the Nordic RCC with data and information necessary for the Nordic RCC to carry out its tasks.
 - (b) Issue coordinated actions and recommendations, as applicable, in accordance with Article 42(2) and (3) of EIReg, and provide the Participating TSOs and other TSOs receiving services from the Nordic RCC with information necessary for them to implement the coordinated actions and recommendations in accordance with Article 37(4) of EIReg, as further described in section 4.2.2.
 - (c) Share analysis and consult proposals with the Participating TSOs, relevant TSOs of other SORs, other RCCs and other relevant stakeholders in accordance with the procedure developed as described in section 7.2.
- 4.1.1.4 The Nordic RCC's tasks are further specified in section 4.2.1 below and the Nordic RCC's interface with the Shareholders, Kraftnät Åland and other TSOs receiving services from the Nordic RCC as well as other stakeholders is described further in section 4.2.2.

4.1.2 Governance structure

- 4.1.2.1 The Nordic RCC will be established with a two-tier governance structure in accordance with article 43 of EIReg:
- (a) a management board (the "**Board of Directors**") appointed by the Shareholders; and
 - (b) a chief executive officer (the "**Chief Executive Officer**") appointed by the Board of Directors.
- 4.1.2.2 An illustration of the governance structure is set out below and will be described further below the illustration:



4.1.3 The Board of Directors

4.1.3.1 The Shareholders of the Nordic RCC will in accordance with corporate law appoint the members of the Board of Directors, as also mentioned above in section 4.1.2.1.

4.1.3.2 The Board of Directors is in accordance with applicable corporate law and Article 43(3) of EIReg responsible for:

- (a) the overall and strategic management of the Nordic RCC, including the determination of the overall objectives and strategies of the Nordic RCC;
- (b) drafting and endorsing the Articles of Association and Rules of Procedure of the Nordic RCC;
- (c) deciding upon and implementing the organisational structure of the Nordic RCC;
- (d) preparing and endorsing the annual budget of the Nordic RCC;
- (e) developing and endorsing the cooperative processes within and between the Nordic RCC and other RCCs;
- (f) appointing and dismissing the Chief Executive Officer of the Nordic RCC;
- (g) supervising the day-to-day management by the Chief Executive Officer of the Nordic RCC; and
- (h) any other matter that pursuant to Danish law is to be performed by the Board of Directors, unless such matter is a matter reserved specifically for determination by the Shareholders at the General Meeting.

The responsibilities of the Board of Directors will in accordance with Article 43(4) of EIReg exclude those that are related to the day-to-day activities of the Nordic RCC and the performance of its tasks.

4.1.3.3 The Board of Directors of the Nordic RCC shall consist of four (4) members appointed for a term of two (2) years. Each Shareholder shall appoint one (1) member to the Board of Directors. Re-election of a member of the Board of Directors is possible. The chairperson of the Board of Directors (the "**Chairperson**") is appointed by one of the Shareholders among the members of the Board of Directors for a term of two (2) years. Kraftnät Åland will participate in the Board of Directors as set out in section 4.1.7.

4.1.3.4 The work of the Board of Directors is detailed in the Rules of Procedure (please refer to Annex 6.2) which pursuant to Article 43(3)(a) of EIReg shall be drafted and endorsed by the Board of Directors. The Rules of Procedure are also a corporate law document required to be prepared for companies incorporated under Danish law. The

main purpose of the Rules of Procedure is to inform the members of the Board of Directors of their responsibilities and duties pursuant to applicable law, including corporate law and EIReg, and to describe the procedures for the work and meetings of the Board of Directors.

- 4.1.3.5 Any business transacted by the Board of Directors shall be decided by a majority of 3/4 votes, unless otherwise required by mandatory law.

4.1.4 Chief Executive Officer

- 4.1.4.1 The Board of Directors will in accordance with corporate law appoint the Chief Executive Officer, as also mentioned above in section 4.1.2.1.

- 4.1.4.2 The Chief Executive Officer is in accordance with applicable corporate law and Article 43(4) of EIReg responsible for:

- (a) the day-to-day activities of the Nordic RCC;
- (b) the performance of the tasks of the Nordic RCC; and
- (c) ensuring the operation of the cooperative processes in accordance with Article 38 of EIReg.

- 4.1.4.3 The Chief Executive Officer's responsibilities are detailed in written guidelines from the Board of Directors to the Chief Executive Officer (in Danish "*direktionsinstruks*") (the "**CEO Guidelines**"). The CEO Guidelines are a corporate law document generally prepared for companies incorporated under Danish law. The main purpose of the CEO Guidelines is to inform the Chief Executive Officer of his or her main responsibilities and duties pursuant to applicable law to clarify the division of duties between the Board of Directors and the Chief Executive Officer. The CEO Guidelines are developed by the Board of Directors to the Chief Executive Officer having due regard to the company's Articles of Association and applicable law (including corporate law and EIReg). For the avoidance of doubt, the CEO Guidelines will not contain details on how the Chief Executive Officer shall carry out the day-to-day management and will, therefore, not interfere with the Chief Executive Officer's performance of his or her duties and responsibilities and will also not interfere with the Chief Executive Officer's exclusive tasks as set out in EIReg.

4.1.5 Checks and balances

- 4.1.5.1 When performing their duties and responsibilities, the Board of Directors and the Chief Executive Officer must pursuant to applicable corporate law act in and take into consideration the interests of the Nordic RCC and not individual Shareholders' interests (if such interest is not a joint interest of the Shareholders). When determining what is in the interest of the Nordic RCC, due attention to its objects as set forth in section 4.1.1.2 must be made.

- 4.1.5.2 The Board of Directors and the Chief Executive Officer are subject to liability under Danish law. They are liable for losses incurred by the Nordic RCC or a third party if such losses are caused by their negligence or intentional misconduct while carrying out (or neglecting to carry out) their respective positions. The liability is personal and unlimited. Each member of the Board of Directors and the Chief Executive Officer is individually liable, but if more than one or more members of the Board of Directors and the Chief Executive Officer are liable for the same matter, the liability is joint and several. Any sound and reasonable business judgement made by the Board of Directors or the Chief Executive Officer (as the case may be) in the interest of the Nordic RCC, which later turns out not to have been a good decision (e.g. unwise, loss making etc.) will not impose liability on the Board of Directors or the Chief Executive Officer (as the case may be) provided that the decision has been made on an informed

basis. Thus, in general, decisions made on an informed basis and in the interest of the Nordic RCC will not impose liability on the Board of Directors or the Chief Executive Officer (as the case may be).

- 4.1.5.3 Accordingly, the Participating TSOs have considered that the general liability regime applicable under Danish law, together with the Rules of Procedure, CEO Guidelines and clear rules for cooperation in the Cooperation Committee, provides sound and sufficient checks and balances between the Participating TSOs and the Board of Directors and between the Board of Directors and the Chief Executive Officer, respectively. All with a view to ensure independence of the Nordic RCC.

4.1.6 General Meetings of Shareholders

- 4.1.6.1 The Shareholders will exercise their rights at general meetings of the Shareholders (each a "**General Meeting**"). At General Meetings the Shareholders can in accordance with applicable corporate law address and decide on:

- (a) the adoption of the annual accounts of the Nordic RCC;
- (b) the appropriation of profit or loss as covered in the annual accounts of the Nordic RCC;
- (c) subject to the mandatory requirements in EIReg, any amendments to the Articles of Association of the Nordic RCC;
- (d) the appointment of members to the Board of Directors of the Nordic RCC;
- (e) the appointment of the statutory auditor of the Nordic RCC; and
- (f) subject to the mandatory requirements in EIReg, any other matters that pursuant to the Articles of Association of the Nordic RCC, any applicable agreements between the Shareholders or applicable law shall and can be determined by the General Meeting.

- 4.1.6.2 The matters referred to in section 4.1.6.1 (a) - (e) above are matters that according to applicable corporate law are mandatory for the Shareholders to decide upon. Any decision made by the Shareholders must be made having due regard to applicable law (including EIReg). Consequently, the Shareholders cannot decide to amend the Articles of Association so that they will no longer be in compliance with applicable law and, thus, the Shareholders cannot through the Articles of Association interfere with the independence of the Board of Directors and the Chief Executive Officer in their determination of how to best carry out their duties and responsibilities.

- 4.1.6.3 With respect to matters referred to in section 4.1.6.1 (f) above, the Shareholders have decided that certain matters of material importance shall be decided by the Shareholders. These matters include decisions on dissolving the Nordic RCC, converting the Nordic RCC into a different legal form and decisions on a Shareholder's transfer of shares. These matters do not interfere with the responsibilities and duties of the Board of Directors and/or the Chief Executive Officer and, thereby, does not interfere with the independence of the Board of Directors and the Chief Executive Officer in their determination of how to best carry out their duties and responsibilities.

- 4.1.6.4 Any business transacted by the General Meeting shall be decided by a majority of 3/4 votes, unless otherwise required by mandatory law.

4.1.7 Participation of Kraftnät Åland

- 4.1.7.1 Kraftnät Åland's participation in the Nordic RCC will comprise the following:

- (a) the Cooperation Agreement referred to in section 3.2.3 setting forth the terms of cooperation between the Shareholders and Kraftnät Åland in relation to the Nordic RCC and the terms of Kraftnät Åland's participation in the Nordic RCC;
- (b) participation in the Cooperation Committee; and
- (c) a service agreement with the Nordic RCC setting forth the terms of the Nordic RCC's provision of services to Kraftnät Åland.

4.1.7.2 Pursuant to the terms of the Cooperation Agreement, Kraftnät Åland will be entitled to participate in the Board of Directors and at General Meetings as an observer without voting rights, however, with a right to speak and make proposals for matters to be discussed by the Board of Directors or at the General Meetings, as applicable. Accordingly, the observer appointed by Kraftnät Åland will be entitled to participate in the work of the Board of Directors on same terms as the members elected by the Shareholders, however, without a right to vote at board meetings. Further, Kraftnät Åland will be offered to participate in the work involving the operational interface between the Participating TSOs and the Nordic RCC as further described in section 4.2.4 (Cooperation Committee).

4.1.7.3 The Participating TSOs believe that these arrangements whereby Svenska kraftnät, Energinet, Fingrid and Statnett participate as shareholders in the Nordic RCC and Kraftnät Åland participates as service recipient with certain observation rights and the right to participate in the operational interface will satisfy the requirements on participation pursuant to EIReg in particular in light of the small size of Kraftnät Åland compared to the Shareholders and in light of the fact that participation can have other forms than mere shareholdings.

4.2 Operational arrangements

4.2.1 Tasks of the Nordic RCC

4.2.1.1 The Nordic RCC will perform the following mandatory tasks pursuant to EIReg:

- (a) coordinated capacity calculation according to Article 37(1)(a) of EIReg;
- (b) coordinated security analysis according to Article 37(1)(b) of EIReg;
- (c) creation of common grid models according to Article 37(1)(c) of EIReg;
- (d) support for TSOs' defence and restoration plans with regard to the consistency assessment according to Article 37(1)(d) of EIReg;
- (e) week-ahead to at least day-ahead regional system adequacy assessments and preparation of risk reducing actions according to Article 37(1)(e) of EIReg;
- (f) regional outage planning coordination according to Article 37(1)(f) of EIReg;
- (g) training and certification of staff working for the Nordic RCC according to Article 37(1)(g) of EIReg;
- (h) post-operation and post-disturbances analysis and reporting according to Article 37(1)(i) of EIReg;
- (i) regional sizing of reserve capacity according to Articles 6(7) and 37(1)(j) of EIReg;
- (j) calculation of the maximum entry capacity available for the participation of foreign capacity in capacity mechanisms according to Article 37(1)(o) of EIReg; and

- (k) identification of needs for new transmission capacity, for upgrade of existing transmission capacity or their alternatives according to Article 37(1)(p).

4.2.1.2 The Nordic RCC will perform the following non-mandatory task pursuant to EIReg:

- (a) facilitation of the regional procurement of balancing capacity according to Articles 6(8) and 37(1)(k) of EIReg.

4.2.1.3 At the date of this Proposal, the Participating TSOs will not request the following non-mandatory tasks pursuant to EIReg when the Nordic RCC enters into operation on the Operations Date:

- (a) support for the coordination and optimisation of regional restoration according to Article 37(1)(h) of EIReg; and
- (b) support in the optimisation of inter-transmission system operator settlements according to Article 37(1)(l) of EIReg.

4.2.1.4 At the date of this Proposal, the following non-mandatory tasks pursuant to EIReg have not been delegated to the Nordic RCC:

- (a) tasks related to the identification of regional electricity crisis scenarios according to Article 37(1)(m) of EIReg; and
- (b) tasks related to the seasonal adequacy assessments according to Article 37(1)(n) of EIReg.

4.2.1.5 The Shareholders will allocate the task of long-term capacity calculation to the Nordic RCC.

4.2.1.6 The responsibility and operation of tasks and services already performed by the Nordic RSC will be transferred to the Nordic RCC when the Nordic RCC enters into operations on the Operations Date.

4.2.2 Tasks performed on a pan-European rotational basis

4.2.2.1 The Nordic RCC may participate in a pan-European process carrying out the building of a common grid model ("**CGM**") on the basis of a pan-European rotation principle agreed at ENTSO-E level. The principles of this pan-European rotation for building of CGM are the following:

- (a) At least two RCCs shall participate in the CGM pan-European building process.
- (b) The organisational model related to participation in the CGM building process by the RCCs shall be based on a rotational principle on an agreed calendar date, with regular building and provision of a CGM by one Main RCC and one Backup RCC at all times.
- (c) Each RCC shall check the quality of the IGMs, according to Article 79(1) of the SO Regulation.
- (d) At least two merged common grid models will always be created in parallel for each scenario/timeframe/timestamp, one by the Main RCC and the other by the Back-up RCC.
- (e) During the regular process only one merged common grid model, delivered by the Main RCC, shall be officially marked as CGM. In case the Main RCC cannot perform the task of building the common grid model, the merged common grid model built by and delivered from the Backup RCC shall be marked as CGM.
- (f) All relevant tasks according to Article 37(1) of EIReg (both pan-European and regional) shall use as input the merged common grid model officially marked as CGM.

4.2.2.2 The Nordic RCC will participate in a pan-European process carrying out outage planning coordination ("**OPC**") on the basis of a pan-European rotation principle agreed at ENTSO-E level. The principles of this pan-European rotation for OPC are the following:

- (a) At least two RCCs shall participate in the OPC pan-European process.
- (b) The organisational model related to participation in the OPC pan-European process by the RCCs shall be based on a rotational principle on an agreed calendar date, with yearly and weekly merging of individual outage planning provided by TSOs by one Main RCC and one Backup RCC. The Main RCC shall check the quality of the merged individual outage planning provided by TSOs.
- (c) The organisational model related to participation in the coordination process of relevant assets by the RCCs shall be based on a rotational principle on an agreed calendar date, with identification and publication of the final list of relevant asset for coordination by one Main RCC and one Backup RCC.
- (d) In case the Main RCC cannot perform the task of outage planning coordination, the task will be carried out by the Backup RCC.

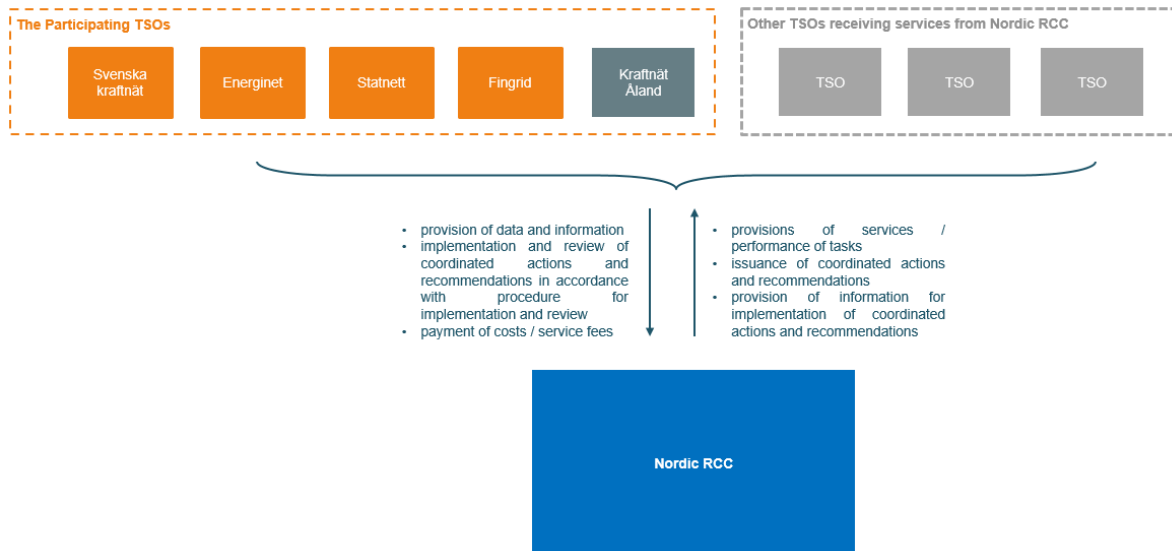
4.2.2.3 The Nordic RCC will participate in a pan-European process carrying out week ahead to at least day-ahead system adequacy forecasts ("**STA**") and preparation of risk reducing actions on the basis of a pan-European rotation principle agreed at ENTSO-E level. The principles of this pan-European STA rotation are the following:

- (a) At least two RCCs shall participate in the STA pan-European process.
- (b) The organisational model related to participation in the STA pan-European process by the RCCs shall be based on a rotational principle on an agreed calendar date, with a cross-regional adequacy assessment performed by one Main RCC and one Backup RCC to highlight at ENTSO-E level the situations where a lack of adequacy is expected. In case of lack of adequacy or if requested by a TSO, the Main RCC shall inform the relevant regional RCC to trigger the regional STA process.
- (c) In case the Main RCC cannot perform the task of system adequacy forecast and preparation of risk reducing actions, the task will be carried out by the Backup RCC.

4.2.2.4 The performance of the tasks referred to in sections 4.2.2.1 - 4.2.2.3 above based on a rotational principle aims to reinforce the process stability of the coordination tasks and to guarantee the operation of the tools in case of failure of one RCC.

4.2.3 Interface between Participating TSOs and the Nordic RCC

4.2.3.1 The Nordic RCC's interfaces with the recipients of its services are illustrated below and described below the illustration:



- 4.2.3.2 In carrying out its tasks the Nordic RCC will in accordance with Article 42 of EIReg issue coordinated actions and recommendations to the Participating TSOs and other TSOs receiving services from the Nordic RCC and provide the Participating TSOs and other TSOs receiving services from the Nordic RCC with information necessary for them to implement the coordinated actions and recommendations in accordance with Article 37(4) of EIReg and as also described in section 4.1.1.3.
- 4.2.3.3 Similarly, the Participating TSOs and other TSOs receiving services from the Nordic RCC shall in accordance with Article 37(3) of EIReg provide the Nordic RCC with information necessary for it to carry out its tasks.
- 4.2.3.4 The exchange of information and communication between the Nordic RCC and the Participating TSOs and other TSOs receiving services from the Nordic RCC will be described in a communication procedure that will be developed by the Nordic RCC prior to the Operations Date. All communication between the Nordic RCC and Participating TSOs, other TSOs receiving services from the Nordic RCC and other RCCs, as applicable, will be in English language.
- 4.2.3.5 The coordinated actions and recommendations shall pursuant to Article 42(2) and (3) of EIReg be implemented or followed by the Participating TSOs and other TSOs receiving services from the Nordic RCC, as applicable, except where the implementation of the coordinated action would result in violation of the operational security limits defined by the TSO. If a TSO decides not to implement a coordinated action for the reason that it would result in violation of its operational security limits, the TSO shall transparently report the detailed reasons to the Nordic RCC and the Participating TSOs without undue delay. If a TSO decides to deviate from a recommendation issued by the Nordic RCC, the TSO shall submit a justification for its decision to the Nordic RCC and the Participating TSOs without undue delay. The decision whether to implement a coordinated action or follow a recommendation in real time operation remains the responsibility of the Participating TSOs and other TSOs receiving services from the Nordic RCC, as applicable.
- 4.2.3.6 The implementation of coordinated actions and recommendations by the Participating TSOs shall follow the procedure developed for adoption and review of coordinated actions and recommendations. The procedure will be

developed in the implementation phase prior to the Nordic RCC entering into operations on the Operations Date as further described in section 7.3 below.

4.2.4 Cooperation Committee

- 4.2.4.1 Due to the high level of interfaces between the Nordic RCC and the Participating TSOs, the Participating TSOs will in order to support such interfaces establish a cooperation committee (the "**Cooperation Committee**"). The Cooperation Committee shall have an advisory role only and shall solely work to support the operational interfaces between the Nordic RCC and the Participating TSOs and will, thus, not interfere with the daily operations of the Nordic RCC or the work of the Chief Executive Officer.
- 4.2.4.2 The Cooperation Committee shall provide recommendations to the Nordic RCC on operational matters, including in particular the following operational matters:
- (a) the operational interfaces between the Nordic RCC and the Participating TSOs;
 - (b) the development and implementation of IT systems relating to the interface and exchange of information with the Participating TSOs; and
 - (c) the development and implementation of new tasks to be performed or services to be delivered by the Nordic RCC to the Participating TSOs which necessitates an operational interface between the Nordic RCC and the Participating TSOs.
- 4.2.4.3 In its work the Cooperation Committee shall consider how the Nordic RCC will work to best support the Participating TSOs in their implementation of coordinated actions and recommendations issued by the Nordic RCC.
- 4.2.4.4 The recommendations provided by the Cooperation Committee shall be taken into consideration by the Nordic RCC, however, the Nordic RCC is not obliged to follow the recommendations and can, thus, in its discretion deviate from the recommendations.
- 4.2.4.5 For the avoidance of doubt, the Cooperation Committee shall not replace the consultation with the Participating TSOs as described in section 7.2 below.

4.2.5 Operational management

- 4.2.5.1 The Chief Executive Officer will prepare business processes, operational procedures and instructions, as applicable, for the operations of the Nordic RCC for purposes of carrying out the tasks of the Nordic RCC.
- 4.2.5.2 These procedures will include the procedure for the interface with the Participating TSOs and other TSOs in the Nordic RCC receiving services from the Nordic RCC. The Participating TSOs shall, if and as relevant, implement the business processes, operational procedures and instructions for purposes of implementation of the coordinated actions and recommendations issued by the Nordic RCC.

4.2.6 Human resources

- 4.2.6.1 The Nordic RCC will engage the required competences and resources to carry out the tasks of the Nordic RCC. As the Nordic RCC is not established as a company yet and as the scope of all of the tasks of the Nordic RCC have not been defined yet, the Participating TSOs are only able to provide an estimate of the expected number of employees of the Nordic RCC. Accordingly, it is expected that the Nordic RCC will be equipped with approximately 35-45 full-time employees at the initiation of its operation, i.e. from the Operations Date. However, as

noted, this will be dependent on the scope of the tasks to be performed by the Nordic RCC as set out in existing network codes and guidelines and as will be set out in upcoming network codes and guidelines.

- 4.2.6.2 The personnel currently engaged with the performance of the activities of the Nordic RSC will be considered for the positions of the Nordic RCC. As the Nordic RSC is a joint office and thereby not a company, the personnel currently working for the Nordic RSC are employed by the TSOs participating in the Nordic RSC, i.e. Svenska kraftnät, Energinet, Fingrid and Statnett. The process of hiring qualified personnel for the Nordic RCC will be part of the implementation phase prior to the Operations Date.
- 4.2.6.3 The Nordic RCC may consider purchasing certain support services such as e.g. payroll services, IT-services etc. from third party service providers if and to the extent that the Nordic RCC deems that this is appropriate for the efficient and economic operation of the Nordic RCC. This decision will be made as part of the implementation phase or as part of the operations of the Nordic RCC, as appropriate.
- 4.2.6.4 It is the opinion of the Participating TSOs that the purchase of support services from third party service providers, e.g. certain IT-support services, will not have the effect that the Nordic RCC will not be in compliance with Article 45 of EIReg requiring the Nordic RCC to be equipped with all human, technical, physical and financial resources necessary for it to fulfil its obligations and carry out its tasks independently and impartially. Similar independence requirements apply to TSOs without this hindering the TSOs in purchasing third party support services. Staff for the performance of core services will be handled by the Nordic RCC and the potential purchase of services will only be considered for support services.

4.2.7 Technical and physical resources

- 4.2.7.1 The Chief Executive Officer will when relevant and as applicable define the requirements and develop specifications for the development and implementation of IT systems supporting the operations of the Nordic RCC. If IT-systems relate to the interface with the Participating TSOs and the exchange of information with the Participating TSOs, the Chief Executive Officer will consult - on an advisory basis only - with the Cooperation Committee in order for the Chief Executive Officer to consider any technical specifications and requirements relevant for this interaction.
- 4.2.7.2 The IT-systems, equipment and other assets currently used by the Nordic RSC are due to the Nordic RSC being a joint office owned by the TSOs participating in the Nordic RSC, i.e. Svenska kraftnät, Energinet, Fingrid and Statnett. As part of the implementation phase and for purposes of establishing the Nordic RCC as a company, Svenska kraftnät, Energinet, Fingrid and Statnett will transfer the necessary IT-systems, equipment and other assets to the Nordic RCC. The transfer will be in the form of a contribution in kind against shares or other type of contribution, sale or transfer.
- 4.2.7.3 To the extent that additional IT-systems, equipment and other assets are necessary for the Nordic RCC to carry out its tasks as of the Operations Date, the Shareholders will provide the necessary capital resources for the Nordic RCC to purchase such assets. Please refer to sections 4.3.1 on the establishment and funding of the Nordic RCC.

4.2.8 Audit, reporting and monitoring

- 4.2.8.1 The Shareholders will appoint an auditor to audit the annual report of the Nordic RCC in accordance with international generally accepted accounting principles.

- 4.2.8.2 The Chief Executive Officer will report on the financial and operational performance of the Nordic RCC to the Board of Directors on a quarterly basis or as deemed appropriate and the Board of Directors will report on the financial and operational performance of the Nordic RCC to the Shareholders as deemed appropriate by the Shareholders from time to time.
- 4.2.8.3 The Nordic RCC will in accordance with Article 46(2) of EIReg account for its costs in a transparent manner and report its costs to ACER and to the regulatory authorities in the Nordic Region.
- 4.2.8.4 The Nordic RCC will establish a process for continuous monitoring in accordance with Article 46(1) of EIReg. For the avoidance of doubt, the monitoring process shall allow the Chief Executive Officer to transparently and independently of the Shareholders, the Board of Directors, the Cooperation Committee and any other parties monitor and report on the outcome of the monitoring to relevant authorities as set out in section 4.2.8.5 below.
- 4.2.8.5 The Nordic RCC will in accordance with Article 46(3) of EIReg submit an annual report on the outcome of the monitoring and information on its performance to ENTSO-E, ACER, the regulatory authorities in the Nordic Region and the Electricity Coordination Group. In addition, the Nordic RCC will in accordance with Article 46(4) of EIReg report any shortcomings it identifies in the monitoring process to ENTSO-E, ACER, the regulatory authorities in the Nordic Region and other competent authorities of the Nordic Region responsible for the prevention and management of crisis situations.
- 4.2.8.6 The reports submitted by the Nordic RCC pursuant to section 4.2.8.5 above will in accordance with Article 46(5) of EIReg be made public.

4.3 Financial arrangements

4.3.1 Establishment and funding of the Nordic RCC

- 4.3.1.1 As part of the implementation phase, the Nordic RCC will be established as a public limited liability company by the Shareholders.
- 4.3.1.2 As mentioned above in section 4.2.7, it is expected that the technical and physical assets used by the Nordic RSC will be contributed in kind against shares or otherwise transferred to the Nordic RCC. With respect to human resources please refer to section 4.2.6.
- 4.3.1.3 The Shareholders will on a pro rata basis provide any additional capital required for the establishment of the Nordic RCC so that the Nordic RCC will have adequate equity and liquidity. Such capital will be provided primarily by way of equity contributions; however, shareholder loans may also be considered. The form of provision of additional capital by the Shareholders will be decided by the Shareholders and will be on equal terms for all Shareholders. All such contributions shall be subject to any necessary approvals, as applicable.

4.3.2 Financial resources

- 4.3.2.1 The operational costs of the Nordic RCC are expected to mainly consist of staff and staff related expenses (including IT expenses), corporate expenses (including expenses related to corporate services such as HR, HSE and legal services and auditing), IT business expenses (including for server capacity and IT application maintenance) and depreciation costs. The operational costs for the performance of the Nordic RCC's tasks and provision of services to the Shareholders will be invoiced on a cost plus basis by the Nordic RCC and divided equally between the Shareholders and, thereby, each Shareholder will pay 25% of such costs (including interest and principal payments on debt).

- 4.3.2.2 A third party that receives services from the Nordic RCC (e.g. Kraftnät Åland or TSOs of other SORs) will pay a fee for such services covering all expected costs incurred by the Nordic RCC in performance of its tasks on behalf of and delivery of services to such third party (e.g. costs of labour and other operational costs) with addition of a commercial margin to be determined. Third party service recipients will be invoiced either on a running basis, each quarter, biannually or annually as determined by the Nordic RCC from time to time.
- 4.3.2.3 The payments received from the Shareholders and third parties (such as e.g. Kraftnät Åland) will be considered revenue and treated accordingly in the financial accounts of the Nordic RCC.
- 4.3.2.4 Tasks carried out by the Nordic RCC on a rotational basis will be performed and invoiced, if applicable, in accordance with the principles decided on a pan-European level and thereby in accordance with the principles decided for other neighbouring RCCs and/or as decided in a contractual agreement entered into by the Nordic RCC in relation to such tasks carried out on a rotational basis. Such principles and arrangements will be developed as part of the implementation phase prior to the Operations Date.
- 4.3.2.5 To the extent that additional capital is deemed necessary for the operations of the Nordic RCC or for CAPEX investments (such as e.g. investment in an IT-system) the Nordic RCC will to the extent possible under applicable law receive cash contributions from the Shareholders by way of equity contributions and/or shareholder loans on a pro rata basis, or obtain loan facilities from financial institutions, as deemed appropriate by the Shareholders from time to time. The form of provision of additional capital by the Shareholders will be decided by the Shareholders and will be on equal terms for all Shareholders.

5. IMPLEMENTATION PLAN

- 5.1 The implementation plan for the Nordic RCC (the "**Implementation Plan**") includes the expected plans for establishing the Nordic RCC and implementation of the tasks to be performed by the Nordic RCC in order for the Nordic RCC to enter into operation no later than on the Operations Date (1 July 2022). Please refer to the Implementation Plan, enclosed as Annex 5.1 (Implementation Plan).
- 5.2 The tasks referred to in Article 37(1)(a) - (f) of EIReg will be implemented according to existing regulations, including but not limited to the CACM Regulation, the SO Regulation, the ER Regulation and related methodologies developed at pan-European and CCR Nordic level.
- 5.3 The tasks referred to in Article 37(1)(g) - (p) of EIReg will be implemented in accordance with the requirements set forth in section 7 of this Proposal and in the Implementation Plan.
- 5.4 The Participating TSOs will inform the NRAs on updates of the Implementation Plan every six (6) months following the approval of this Proposal.

6. STATUTES AND RULES OF PROCEDURE OF THE NORDIC RCC

- 6.1 Please refer to the statutes of the Nordic RCC, enclosed as Annex 6.1 (Articles of Association) (the "**Articles of Association**").
- 6.2 Please refer to the rules of procedure, enclosed as Annex 6.2 (Rules of Procedure) (the "**Rules of Procedure**").

7. COOPERATIVE PROCESSES WITHIN THE NORDIC RCC AND BETWEEN THE NORDIC RCC AND OTHER REGIONAL COORDINATION CENTRES

7.1 Working arrangements

- 7.1.1 The Nordic RCC will in accordance with Articles 38(a) and 39 of EIReg develop working arrangements to address planning and operational aspects related to the tasks to be carried out by the Nordic RCC and a process for the revision of such working arrangements. The working arrangements will be developed as part of the implementation phase.
- 7.1.2 When developing the working arrangements, the Nordic RCC will consider the guidance already included in existing and upcoming methodologies and other relevant contractual frameworks, including:
- (a) For tasks pursuant to Article 37(1)(a) of EIReg, the Nordic RCC will refer to:
 - (i) The Capacity Calculation Methodology for Day-Ahead and Intraday in accordance with Articles 20 and 21 of the CACM Regulation of the CCRs covered by the Nordic Region or of the CCR being an interface for the Nordic Region; and
 - (ii) Any relevant existing contractual framework (e.g. the SOA) relating to capacity calculation covering the Nordic Region or any CCR being an interface for the Nordic Region.
 - (b) For tasks pursuant to Article 37(1)(b) of EIReg, the Nordic RCC will refer to:
 - (i) The Methodology for Coordinating Operational Security Analysis in accordance with Article 75 of the SO Regulation;
 - (ii) Each Methodology for Regional operational Security Coordination in accordance with Article 76 of the SO Regulation of each CCRs covered by the Nordic Region or of the CCRs being an interface for the Nordic Region; and
 - (iii) Any relevant existing contractual framework (e.g. the SOA) relating to operational planning covering the Nordic Region or any CCR being an interface for the Nordic Region.
 - (c) For tasks pursuant to Article 37(1)(c) of EIReg, the Nordic RCC will refer to:
 - (i) The Common Grid Model Methodology in accordance with Article 17 of the CACM Regulation (CGMM-v1-plus);
 - (ii) The Common Grid Model Methodology in accordance with Article 18 of the FCA Regulation (CGMM-v2-plus); and
 - (iii) The Common Grid Model Methodology version 3 in accordance with Article 67(1) and 70(1) of the SO Regulation (CGMM-v3); or
 - (iv) Any document (Common Grid Model Methodology) that supersedes one (or more) of the three versions of the Common Grid Model Methodology referred to above; and
 - (v) Any relevant existing contractual framework or procedures (e.g. ENTSO-E procedures) relating to common grid methodology covering the Nordic Region or any CCR being an interface for the Nordic Region.

- (d) For tasks pursuant to Article 37(1)(d) of EIReg, the Nordic RCC will refer to the consistency assessment of the system defence plan and the restoration plan in accordance with Article 6 of the ER Regulation.
 - (e) For tasks pursuant to Article 37(1)(e) of EIReg, the Nordic RCC will refer to:
 - (i) The Methodology for short-term and seasonal adequacy assessment in accordance with Article 8 of Regulation 941/2019 of 5 June 2019 on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC; and
 - (ii) Any relevant existing contractual framework (e.g. the SOA) relating to adequacy forecasts covering the Nordic Region or any CCR being an interface for the Nordic Region.
 - (f) For tasks pursuant to Article 37(1)(f) of EIReg, the Nordic RCC will refer to:
 - (i) The Methodology for Assessing the relevance of assets for outage coordination in accordance with Article 84 of the SO Regulation; and
 - (ii) Any relevant existing contractual framework (e.g. the SOA) relating to outage planning coordination covering the Nordic Region or any CCR being an interface for the Nordic Region.
 - (g) For tasks pursuant to Article 37(1)(o) of EIReg, the Nordic RCC will refer to the methodology for calculating the maximum entry capacity for cross-border participation in accordance with Article 26(11) of EIReg.
 - (h) For tasks pursuant to Article 37(1)(g), (i), (j), (k) and (p) of EIReg, the Nordic RCC will refer to the proposal to be developed by ENTSO-E and, in addition, for tasks pursuant to Article 37(1)(p), the Nordic RCC will develop working arrangements if requested by Participating TSOs.
 - (i) For tasks pursuant to Article 37(1)(h) and (l) of EIReg, the Nordic RCC will develop relevant working arrangements if and to the extent that such tasks will be requested by the Participating TSOs or other TSOs receiving services from the Nordic RCC, as applicable. The Nordic RCC will refer to any applicable methodologies when developing such working arrangements. As mentioned in section 4.2.1.2, at the date of this Proposal, the Participating TSOs will not request these tasks when the Nordic RCC enters into operation on the Operations Date.
 - (j) For tasks pursuant to Article 37(1)(m) and (n) of EIReg, the Nordic RCC will develop relevant working arrangements if and to the extent that such tasks are delegated to the Nordic RCC. The Nordic RCC will refer to any applicable methodologies when developing such working arrangements. As mentioned in section 4.2.1.4, at the date of this Proposal, the tasks have not been delegated to the Nordic RCC.
- 7.1.3 In accordance with Article 4 of Annex I of the ACER Decision, for long-term capacity calculation, the Nordic RCC will refer to the capacity calculation methodology for long-term time frames pursuant to Article 10 of the FCA Regulation of the CCRs covered by the Nordic SOR or of the CCRs being an interface for the Nordic SOR.
- 7.1.4 When developing the working arrangements for rotational tasks carried out on a pan-European level, the Nordic RCC will consider the principles defined for each rotational task as set out in section 4.2.2 above and will further consider in particular the principles for determining the RCCs carrying out the rotational tasks, the status of each participating RCC (i.e. the Main RCC or the Backup RCC), the rotation periods and the organisation of the succession between two successive rotation periods.
- 7.1.5 The Nordic RCC will ensure that the working arrangements in accordance with Article 39(2) of EIReg will contain rules for the notification of concerned parties and as described in section 7.2 below.

7.2 Consultation procedure

7.2.1 In its daily operational duties, the Nordic RCC will share analysis and consult proposals for working arrangements with:

- (a) The Participating TSOs in accordance with relevant methodologies as referred to in section 7.1.2 above.
- (b) The TSOs or RCC(s) of the Baltic SOR in accordance with Article 4(1) of Annex I of the ACER Decision, relevant cross-regional methodologies and any applicable cross-regional procedures and agreements, including:
 - (i) Baltic capacity calculation methodologies pursuant to Articles 20 and 21 of the CACM Regulation and Article 10 of the FCA Regulation;
 - (ii) Baltic common methodology for coordinated redispatching and countertrading pursuant to Articles 35 of the CACM Regulation and Baltic common methodology for redispatching and countertrading cost sharing, pursuant to 74 of the CACM Regulation, if relevant;
 - (iii) Methodology for Coordinating Operational Security Analysis in accordance with Article 75 of the SO Regulation;
 - (iv) Baltic common provisions for regional operational security coordination pursuant to Article 76 of the SO Regulation;
 - (v) Common grid model methodology pursuant to Articles 67 and 70 of the SO Regulation;
 - (vi) Baltic Regional Outage Coordination according to Articles 80 and 83 of the SO Regulation; and
 - (vii) Any other relevant methodologies, applicable procedure, cooperative processes etc. established for the coordination of the bidding zone borders adjacent to the Baltic SOR and the Nordic SOR pursuant to Article 38 of EIReg.
- (c) The TSOs or RCCs of the Central Europe SOR in accordance with Article 4(3) of Annex I of the ACER Decision, relevant cross-regional methodologies and any applicable cross-regional procedures and agreements, including:
 - (i) Hansa Capacity Calculation Methodology pursuant to Articles 20 and 21 of the CACM Regulation and Article 10 of the FCA Regulation;
 - (ii) Hansa methodology for coordinated redispatching and countertrading and Hansa methodology for redispatching and countertrading cost sharing, pursuant to Articles 35 and 74 of the CACM Regulation;
 - (iii) Methodology for Coordinating Operational Security Analysis in accordance with Article 75 of the SO Regulation;
 - (iv) Hansa Coordinated Security Analysis Methodology pursuant to Article 76 of the SO Regulation;
 - (v) Hansa Regional Outage Coordination in accordance with Articles 80 and 83 of the SO Regulation;
 - (vi) Common Grid Model Methodology pursuant to Articles 67 and 70 of the SO Regulation; and

(vii) Any other relevant methodologies, applicable procedures, cooperative processes etc. established for the coordination of the relevant bidding zone borders adjacent to the Nordic SOR and to the Central Europe SOR pursuant to Article 38 of EIReg.

(d) Relevant national regulatory authorities ("**NRAs**") and other stakeholders in accordance with requirements described in the SO Regulation, the CACM Regulation, the FCA Regulation and the ER Regulation or other applicable methodologies.

7.2.2 The Nordic RCC will in accordance with Articles 38(b) and 40 of EIReg develop a procedure to organise an appropriate and regular consultation of the Participating TSOs, other TSOs and RCCs, NRAs and other relevant stakeholders. The consultation procedure will be developed as part of the implementation phase.

7.2.3 When developing the consultation procedure in accordance with section 7.2.2, the Nordic RCC will consider:

- (a) Consultations of proposals to revise working arrangements will be carried out in good faith and in the spirit of cooperation and the Nordic RCC shall seek to find solutions that do not violate operational security limits or restore them and that minimise costs.
- (b) The Nordic RCC will submit a proposal to the Participating TSOs and/or any stakeholders that the Nordic RCC considers relevant for the proposal in question. Dependent on the proposal, relevant stakeholders may include other affected RCCs, other affected TSOs (including interconnector TSOs, if applicable) and affected NRAs where regulatory issues need to be addressed. The Nordic RCC will share with the relevant parties its analysis of the rationale of its proposal.
- (c) If the recipients of the proposal from the Nordic RCC agree that the proposal necessitates an update of a methodology, the process to amend such methodology shall be compliant with the provisions for amendments written down in relevant network codes or guidelines.
- (d) The proposal from the Nordic RCC shall include a timeline for implementation.
- (e) Within one (1) month or such longer or shorter period as the Nordic RCC may deem appropriate, the recipients of the proposal shall in writing approve, object to or table an amendment to the proposal. Where an objection is raised, an explanatory response shall be provided setting out the reasons for the objection.
- (f) The Nordic RCC shall take into account responses from all recipients as set out in sub-section (e) above and produce a final proposal for approval by the Board of Directors. Upon approval by the Board of Directors, the amended working arrangements will be implemented by the Nordic RCC.

7.3 Procedure for adoption and review of coordinated actions and recommendations

7.3.1 The Nordic RCC will issue coordinated actions and recommendations to the TSOs for whom the Nordic RCC performs tasks, including the Participating TSOs. In accordance with Article 42(2), 1st subparagraph of EIReg, the Participating TSOs receiving tasks pursuant to Article 37(1)(a) and (b) of EIReg, shall implement a coordinated action issued by the Nordic RCC except where the implementation of the coordinated action would result in a violation of the operational security limits defined by the Participating TSO in accordance with the system operation guideline adopted on the basis of Article 18(5) of Regulation (EC) No. 714/2009. If a Participating TSO decides not to implement a coordinated action, it shall transparently report the detailed reasons to the Nordic RCC and the other Participating TSOs without undue delay. Such reporting will induce a review of the coordinated action and

the Nordic RCC shall assess the impact of the decision on the other Participating TSOs and may propose a different set of coordinated actions. The Nordic RCC is, though, not required to amend the coordinated action and a Participating TSO's non-implementation or request for review of a coordinated action shall not suspend the coordinated action except where the implementation hereof would result in a violation of the operational security limits.

- 7.3.2 The Participating TSOs will in accordance with Articles 38(c) and 42 of EIReg develop a procedure for the adoption and review of coordinated actions and recommendations. The procedure will be developed as part of the implementation phase.
- 7.3.3 The procedure for the adoption and review of coordinated actions and recommendations will be developed according to applicable methodologies and Article 42 of EIReg. When developing the procedure, the Participating TSOs will, in addition to any relevant provisions set out in applicable methodologies, consider the following guidance:
- (a) For tasks referred to in Article 37(1)(a) and (b) of EIReg, before the Nordic RCC issues a coordinated action the Nordic RCC shall consider whether the coordinated action proposed by the Nordic RCC is expected to be secure, reliable and efficient in accordance with:
 - (i) Articles 35(5) and 42(2) of EIReg;
 - (ii) Article 26 of the CACM Regulation;
 - (iii) Article 17 of the methodology for coordinating operational security analysis developed in accordance with Article 75 of the SO Regulation; and
 - (iv) the methodologies for capacity calculation and regional operational security coordination developed for CCR Nordic and CCR Hansa in accordance with Article 76 of the SO Regulation.
 - (b) Before the Nordic RCC issues a coordinated action for one or more tasks referred to in Article 37(1)(c) - (p) of EIReg (to the extent the Nordic RCC has been granted the competence in accordance with Article 42(6) of EIReg), the Nordic RCC shall consider whether the coordinated action proposed by the Nordic RCC is expected to be secure, reliable and efficient in accordance with Articles 35(5) and 42(2) of EIReg.
 - (c) TSOs receiving services from the Nordic RCC are entitled to request a review of a coordinated action or recommendation issued by the Nordic RCC.
 - (d) When one or more TSOs triggers a review of a coordinated action or recommendations, such TSOs shall provide an explanation of the reasons for such review to the Nordic RCC and any other affected TSOs.
 - (e) The Nordic RCC shall review the coordinated action or recommendation, as applicable, and shall without undue delay confirm or modify the coordinated action or recommendation, as applicable.
 - (f) The methodologies and procedures developed for tasks referred to in Article 37(1) of EIReg shall be in line with the provisions of Article 42 of EIReg.
 - (g) The Nordic RCC shall consult with RCCs of other SORs on coordinated actions and recommendations. When consulting with RCCs of other SORs, the Nordic RCC shall determine coordinated actions and recommendations that are secure, reliable and efficient.

- (h) For any task carried out by the Nordic RCC, all relevant TSOs and RCCs shall ensure that all relevant information is shared with the TSOs and RCCs affected by the coordinated action or recommendation, in particular:
- (i) the reason for refusing a coordinated action or recommendation; and
 - (ii) how the coordinated action or recommendation has been modified by the Nordic RCC.

7.3.4 The Nordic RCC shall pursuant to Article 46(1) of EIReg monitor the coordinated actions and recommendations issued by it in accordance with the process for monitoring that will be developed by the Nordic RCC as part of the implementation phase as described in section 4.2.8.4. Additionally, the Nordic RC shall pursuant to Article 46(3) of EIReg report on the outcome of its monitoring as further described in section 4.2.8.5.

8. ARRANGEMENTS CONCERNING LIABILITY OF THE NORDIC RCC

- 8.1 The Nordic RCC will be a limited liability company conducting an activity which under certain specific circumstances may lead to the Nordic RCC being liable for a loss incurred by a third party. Such third party can e.g. be the Nordic RCC's Shareholders, other recipients of the Nordic RCC's services (e.g. Kraftnät Åland, other TSOs or RCCs etc.) and/or (indirectly) the end-users. The Shareholders are in general not liable for the acts and omissions of the Nordic RCC. Their risk is (theoretically) limited to the amount invested in the Nordic RCC as equity or loans.
- 8.2 On this basis, the Shareholders have decided on the financial arrangements described in section 4.3 above to ensure that the Nordic RCC will be able to satisfy any claims as they become due. Further, the Nordic RCC will to the extent possible and commercially reasonable take out an insurance to cover its liability.
- 8.3 The Nordic RCC's liability towards TSOs and RCCs who receive services from the Nordic RCC (including the Participating TSOs) will be governed by the provisions set out in a service agreement between the Nordic RCC and the relevant third party (or in a separate mutual hold harmless agreement).
- 8.4 The Participating TSOs are considering and will as part of the implementation phase further clarify with the neighbouring RCCs whether it will be feasible to introduce a liability regime similar to what is commonly used offshore and often referred to as the "knock-for-knock" principle. This would mean that the Nordic RCC and the other party (each in such respect the "Indemnifying Party") will waive, indemnify and hold the other party (each in such respect the "Indemnified Party") harmless from and against any loss, damage and/or expense arising out of the services rendered by the RCC leading to a claim for loss of the Indemnifying Party except when such claim is the result of the Indemnified Party's gross negligence or wilful misconduct. If, as an example, the service performed by the Nordic RCC leads to a loss of the Participating TSOs, the Participating TSOs will not be entitled to claim payment of the loss from the Nordic RCC, unless the loss is the result of the Nordic RCC's gross negligence or wilful misconduct. Similarly, if the services performed by a neighbouring RCC leads to a loss of the Nordic RCC, the Nordic RCC will not be entitled to claim payment of the loss from the neighbouring RCC, unless the loss is the result of the neighbouring RCC's gross negligence or wilful misconduct.
- 8.5 With respect to claims from third parties other than the Participating TSOs, the Nordic RCC, other RCCs and other TSOs, the Participating TSOs are considering handling such claims as follows: Party A (the "Indemnifying Party") shall defend, indemnify and hold harmless Party B, and Party B (the "Indemnifying Party") shall defend, indemnify and hold harmless Party A from and against any loss, damage and/or expense arising out of a claim for loss of or other claims from third parties if (i) they arise out of the services rendered by the Nordic RCC and (ii) to the extent caused by the Indemnifying Party. The Participating TSOs are considering introducing a liability cap for this type of indemnification.

- 8.6 The application of the proposed "knock-for-knock" principle will, to the extent agreed with neighbouring RCCs and TSOs, apply between the Nordic RCC and parties having a contractual relationship with the Nordic RCC in which the parties have agreed to apply this liability regime. The Nordic RCC's liability towards non-contractual parties (such as e.g. end-users) will be based on applicable tort law. The Danish tort law regime is a "fault-based" liability regime where the party who by its acts or omissions have caused a documented loss will be liable for such loss if it was caused by the party's negligence or wilful misconduct and the loss was a reasonable foreseeable consequence of the act or omission (in Danish "*adækvat følge*").
- 8.7 The potential liability of the Nordic RCC will be considered when determining the fee that a recipient of services from the Nordic RCC shall pay. As described in section 4.3.2.1, the fee paid by the Participating TSOs will be determined on a cost plus basis where e.g. the costs of insurance (if available) will be considered when determining the fee. The fee paid by other TSOs receiving services from the Nordic RCC will as described in section 4.3.2.2 be determined based on the expected costs incurred by the Nordic RCC in performing its tasks for such TSOs. Thus, the risk of liability is also an element for consideration when determining the fee.
- 8.8 The Nordic RCC will in connection with its regular reporting to the NRAs and as otherwise agreed with the NRAs report to the NRAs on the application of the knock-for-knock principle, including the liability which the Nordic RCC has incurred towards the Participating TSOs (and other parties with whom the Nordic RCC has agreed to apply the knock-for-knock principle) and the liability which a Participating TSO has incurred towards the Nordic RCC and the other Participating TSOs.

9. TASKS PERFORMED ON A ROTATIONAL BASIS WITHIN THE NORDIC SOR

- 9.1 It is not contemplated that two RCCs will be maintained on a rotational basis within the Nordic SOR. Consequently, this Proposal does not include a description of tasks performed on a rotational basis.

10. CONTACT PERSONS

In case of any questions to the Proposal, please contact:

- Svenska kraftnät: Niclas Damsgaard
Chief Strategist, System Operator Division
niclas.damsgaard@svk.se
- Energinet: Klaus Winther
Director, Electricity System Operation
kwi@energinet.dk
- Statnett: Thor Erik Grammeltvedt
Senior Vice President, European and Nordic Policy Development
thor.erik.grammeltvedt@statnett.no
- Fingrid: Marina Louhija
General Counsel

marina.louhija@fingrid.fi

Kraftnät Åland:

Conny Rosenberg
CEO

conny.rosenberg@kraftnat.ax

2021-07-08

2020-102996-0003