

Rules on Daily Allocations of Free Negotiable Transmission Capacities for 2005 on the SEPS - PSE-O Cross-Border Transmission Profile Organised One-Sidedly by SEPS, a.s.

The bottlenecks arise on the cross-border transmission profiles¹⁾ by demand outstripping the real transmission possibilities. The process of allocating the cross-border transmission capacities of these bottlenecks is carried out through auctions and allocations.

The allocation is an objective, non-discriminatory process of the cross-border transmission capacities allocation eliminating the speculative behaviour and in compliance with the requirements of Regulation of European Parliament and the Council No. 1228/2003/EC, resulting in the transmission capacity reservation on the specified cross-border profiles in a given direction. It establishes the principles of the transmission system bottlenecks management required by the safe and reliable operation of the transmission system.

Any actions and steps carried out hereunder shall have regard for the scale of data flows, implementation time conditions and data protection and security requirements implemented in electronic format.

Free negotiable transmission capacities for 2005 trading days starting 7 April (the process to take place 6 April) shall be allocated to the market participants through allocations. The capacities shall be offered as **one-sidedly** provided except for the provisions for damage prevention and those dealing with force majeure, emergency condition and emergency condition prevention issues under Slovak Republic's generally applicable legislation.

Daily allocations of free negotiable transmission capacities on the SEPS - PSE-O cross-border profile shall be organised by the Auction Office, meaning SEPS, a.s., Auction Office in this case.

1. Realisation of daily allocations

Given the scale of data flows, implementation time conditions and data protection and security requirements, daily allocations shall be carried out in the Damas e-Portal - run by SEPS, a.s., at <http://damas.sepsas.sk>. Access to the Damas e-Portal is possible through guaranteed e-signatures validated by qualified certificates issued by an accredited certification authority. Any data exchange between the user and the Damas e-Portal via the Internet is safeguarded against reading by third parties by SSL ciphering. This e-Portal posts up any information contained in the document "Damas e-Portal Operation Rules" (hereinafter referred to as the Damas Rules) published at <http://www.sepsas.sk>. In e-communications the allocation participant undertakes to follow the Damas Rules and use e-forms described therein.

¹⁾ A cross-border profile is a set of lines between two neighbouring transmission systems. In this case, the SEPS and PSE-O profile is concerned.

In case of major technical problems - e.g. an Internet widespread collapse, a collapse of all the Damas ePortal Internet connections, a Damas e-Portal collapse (servers, database or an error in Damas e-Portal applications) - a daily allocation shall not be organised and this shall not be subject to any compensations. In case of major technical problems preventing it from being completed, the daily auction shall be cancelled and this shall not be subject to any compensations.

2. Connection for access to the allocation

SEPS, a.s., needs to have an effective Agreement for Access to the Transmission System and the Provision of Transmission Services in accordance with the current Commercial Code and the Code of the Transmission System of the Slovak Republic.

Access to allocations and use of allocated capacities while respecting the 1:1 principle means that access to allocations and use of allocated capacities are only allowed for a market participant meeting any of the following conditions:

- it satisfies the conditions of both Transmission System Operators (TSOs) (SEPS, a.s. and PSE-O)
- it satisfies the conditions of the operator SEPS, a.s., and its exclusive partner under the 1:1 principle satisfies the conditions of the operator PSE-O.

Every SEPS-side party shall prove SEPS, a.s., Auction Office its PSE-O-side exclusive partner on the form C 1.1 set out in the Damas Rules. The confirmation of the registration shall be issued by SEPS, a.s. The registration shall only take place for integer calendar months and the registration application shall be delivered to SEPS, a.s., at least 5 working days prior to the 1st day of the calendar month for which the registration is required.

SEPS, a.s., shall register market participants with ensured access to SEPS, a.s., and PSE-O networks while respecting the 1:1 principle based on the information to be supplied by SEPS-side allocation parties. At the request from the market participant registered SEPS, a.s., shall issue a confirmation thereof.

Damas e-Portal shall only afford access to daily allocations for an entity meeting the conditions for access to daily allocations set out above. In case that the conditions are complied with through the exclusive partner, access to daily allocations shall only be afforded to one of the entities meeting SEPS, a.s., conditions.

3. Free negotiable transmission capacities

SEPS, a.s., shall offer separately from PSE-O in the daily allocation free negotiable capacities at the respective hours of the day, to be established especially for each direction as a difference between the total negotiable capacity of the line in a given direction established by both TSOs and the sum of the agreed transmissions of the individual market participants for a given hour, which have been agreed using the capacity allocated in the annual and/or monthly auction. Agreed transmissions using capacity reached in annual or monthly auction scheduled by participant to system up to 8:00 a.m. on the day previous a day of realization; agreed transmissions will be compared with transmissions values, which are scheduled by exclusive partner of

participant (according to principle 1:1) to the Polish operator. In so far as the transmission curves do not tally in transmission value terms (MW) only, but the transmission direction tallies, less-valued transmission shall be accepted by SEPS, a.s. Unless the transmission curves tally in the transmission direction, such unmatched curve **shall not be accepted** by SEPS, a.s. - none electricity transmission shall be effected. Where the realisation curve entered tallies with that entered with the Polish operator, the transmission curve shall be accepted.

The part of the capacity allocated in the annual and/or monthly auction, which has not been used up by the users to negotiate transmission (to take into account above mentioned conditions) no later than 08:00 hrs. on the day preceding the realisation day, shall thus be allocated in the daily auction together with a contingent increase in the maximum value of the overall negotiable capacity arising out of the technical assessment of the network situation undertaken by SEPS, a.s., and PSE-O.

The free negotiable capacity offered in the daily auction shall be published in Damas e-Portal every day no later than 09:08 a.m. The capacity shall be published for every hour of the day, separately for PSE-O to SEPS and SEPS to PSE-O directions.

4. Transmission capacity allocation request

To take part in the daily allocation, the request shall be delivered over the period from the publication of capacities to 10:00 hrs. The allocation party shall make bids for allocation via Damas e-Portal in such way and structure as defined by the Damas Rules.

Any request shall set out:

1. auction party,
2. required profile,
3. direction,
4. trading interval: trading day and trading hour which the bid concerns - day and hour of transmission realisation.

Moreover, it shall set out for every hour of the day:

- required capacity, with the values of transmission capacities required to be positive integers and on a given profile and in a given direction to be less than or equal to FNTC offered

The allocation party shall be given confirmation of the entry into Damas e-Portal of the requests. In case that the request entry is withheld, the allocation party shall be notified of the grounds therefor. Any communications with the system shall be archived and any message shall be time-flagged when going in or out Damas e-Portal. Time-flagging shall be done according to the system time displayed in Damas e-Portal's user environment, which all data delivery deadlines are linked to.

A request shall satisfy the following conditions:

- a) setting mandatory parameters and identification data (profile, direction, allocation party identification),

- b) allocation party meets the above conditions for access to daily allocations,
- c) capacities set out in the bid are natural numbers at most equal to zero in any hour of the free negotiable capacity published.

A bid made after the deadline or failing to comply with the conditions above shall not be accepted.

5. Capacity allocation procedure

The Auction Office shall accept allocation bids meeting the conditions laid out by Article 4 hereof.

An allocation shall be carried out on the pro-rata principle especially for every hour, profile and direction.

The allocation result is the allocation of capacity to the respective parties for every hour and direction.

Unless the sum of capacities required in valid requests is above the free negotiable transmission capacity offered, each allocation party shall be given the transmission capacity as required by them to the extent of valid bids.

If the sum of capacities required in valid requests exceeds the free negotiable transmission capacity offered, then all the requests shall be cut at a sum of all the requests to the profile free capacity ratio. Calculated values of allocated transmission capacity are rounded down.

6. Notification of the outcome of the allocation

The Auction Office shall notify each allocation party via Damas e-Portal of the following information under the Damas Rules:

1. transmission capacity allocation period,
2. profile and direction identification,
3. the amount of the allocated transmission capacity for a given allocation party at the respective hours in MW.

The results shall be published at 10:38 hrs.

The daily allocation capacity shall be allotted on the whole profile on behalf of SEPS, a.s. A PSE-O-side allocation party shall ensure their required capacity separately.

7. Use of the transmission capacity allocated

An allocation party shall have acquired through the transmission capacity allocation on the cross-border transmission profile SEPS, a.s., undertaking that such transmission of theirs is feasible while maintaining standard transmission system

operation reliability levels except for force majeure, emergency condition and emergency condition prevention under the Slovak Republic's current general legislation.

To make use of the allocated capacity and agree transmission on the part of SEPS, a.s., an allocation party shall enter in Damas the agreed transmission curves especially for every direction while respecting the 1:1 principle. The realisation transmission curve for the following day shall:

- entered by the market participant in Damas by D-1 13:00 hrs,
- any curve shall contain a valid exclusive partner identification pursuant to the 1:1 principle, profile and direction,
- any curve shall contain for every trading hour the power to be transmitted at a given hour. This value shall be a natural number and at most equal to that of the capacity allocated in the daily allocation.

The realisation curve of the party shall be compared to the value scheduled by exclusive partner of participant (according to principle 1:1) to the Polish operator. In so far as the transmission curves do not tally in transmission value terms (MW) only, but the transmission direction tallies, less-valued transmission shall be accepted by SEPS, a.s. Unless the transmission curves tally in the transmission direction, such unmatched curve **shall not be accepted** by SEPS, a.s. - none electricity transmission shall be effected. Where the realisation curve entered tallies with that entered with the Polish operator, the transmission curve shall be accepted.

By accepting the transmission curve in Damas and confirming the successful entry in the system, electricity transmission shall be agreed between the allocation party and SEPS, a.s., for the day given in the request made, to the extent and under the conditions laid down in the curve accepted. Trade shall be agreed under the number to be automatically assigned by the Damas database.

The transmission capacity allocation rights shall be used on the "use it or lose it" principle, i.e. changes in the transmission schedule after the deadline above shall be impermissible.

8. Transfer of the transmission capacity allocated

The rights to the capacity allocated in the daily allocations shall not be transferred.

9. Dispute settlement

An allocation party and the Auction Office shall make every effort to settle contingent arising out of, or in connection with, the daily allocation procedures by conciliation. Contentious matters shall be discussed by authorised representatives of the allocation party and of the Auction Office. A claiming Party shall be obliged to call on the other Party in writing to deal with the dispute, describing it, giving a sum, if any, up to which it appraises its claim or defining the request and producing evidence it

relies its claim on. The call shall be served on the other Party in person or by registered letter.

Unless agreement is arrived at within 30 days of mailing the call to settle the dispute hereunder and under the law of the Slovak Republic, the Auction Office or the allocation party may file a lawsuit with the competent court in the Slovak Republic.