

Rules for the Monthly Auction of Available Tradable Transmission Capacities at the SK-UA Transmission Border Organised Unilaterally by Slovenská elektrizačná prenosová sústava, a.s. (hereinafter referred to as "SEPS")

(The Slovak version of the Rules has the priority)

Bottlenecks appear at cross-border transmission profiles¹ because of the demand exceeding the actual transmission possibilities. The process of allocating the cross-border transmission capacities of these bottlenecks is carried out by means of auctions. Auctions at the SK-UA profile are organized by SEPS according to these Rules.

An auction is an objective, non-discriminatory and market-based process of allocating cross-border transmission capacities, eliminating speculative behavior and compliant with the requirements of the Regulation (EU) 2019/943 of the European Parliament and of the Council, resulting in reservations of transmission capacities at specific cross-border profiles in the given direction. It sets out principles of managing bottlenecks in the transmission system required to ensure a safe and reliable operation of the transmission system. Auction processes will be conducted in accordance with the Auction calendar. The Auction calendar for the relevant calendar year is published no later than 1st of December of the year preceding on: https://www.sepsas.sk/en_AukcieSEPS_WPS.asp?kod=181.

The available tradable transmission capacities for the individual calendar months will be allocated to market participants by means of explicit auctions. The capacities will be offered as unilaterally secured capacities, except planned outage of cross-border lines and subject to provisions of loss avoidance and provisions dealing with circumstances excluding liability, emergency situations and prevention of emergency situations pursuant to the legislation generally binding in the Slovak Republic.

1. Transmission Allocation Procedure

The auction of available tradable transmission capacities available for individual calendar months at the SK-UA cross-border profile is held on side of SEPS by the SEPS Auction Office.

The offer of available tradable capacities is made depending on the direction of transmission.

Monthly auctions are carried out in the Damas Energy e-Portal - run by SEPS, at <https://dae.sepsas.sk>. Market participant interested in participation in monthly auction must have the user account in the Damas Energy e-Portal. Access to the Damas Energy e-Portal (auction 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 Energy 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 on-line documentation of Damas Energy available at <https://dae.sepsas.sk> via public access. In e-communications the auction participant undertakes to follow the rules described in the on-line documentation of Damas Energy.

In case of major technical problems - e.g., an Internet widespread collapse, a collapse of all the Damas Energy e-Portal Internet connections, a Damas Energy e-Portal collapse (servers, database or an error in Damas Energy e-Portal applications) SEPS Auction Office reserves the right to change business day regime e.g., gate closure for bidding, time for notification of the auction results. All auction participants will be informed without undue delay about actual operational situation.

¹ A cross-border profile is a set of lines between two adjacent transmission systems. In this case, it applies to the SK and UA profile.

These Rules for the monthly auction organized electronically in the user environment of the auction e-Portal may be replaced in case of technical problems with electronic solution identified by SEPS Auction Office by alternative rules specified by Annex 1. Information about use of alternative monthly auction procedure according to Annex 1 will be published by 12:00 a.m. on the last working day before the final date for submitting of bids for monthly auction in terms of Auction calendar (Decisive Days for Monthly Auctions). Information shall be published on the SEPS webpage (www.sepsas.sk). Furthermore, SEPS Auction Office will notify use of alternative monthly auction procedure to all auction participants by message in auction e-Portal.

Upon submitting their auction bids for transmission capacity reservations, the auction participants undertake to pay to the SEPS Auctions Office a fee set for Bottleneck Management whether they used the capacity reserved in the auction or not.

In order to use the capacity reserved on SEPS side for the transmission it is necessary to have a valid and effective Framework Agreement on Electricity Transmission through Connecting Lines concluded with SEPS which is conditioned by conclusion of Agreement on Settlement of imbalances with OKTE, a.s. (company Organizátor krátkodobého trhu s elektrinou, a.s.).

The reserved capacities are used upon the delivery of schedules, and their acceptance by SEPS and approval with UKRENERGO in accordance with Article 6 thereof.

2. Available Tradable Transmission Capacities

Independently on UKRENERGO, SEPS will offer available tradable transmission capacities (ATC) at the common cross-border transmission profile in the monthly auctions for individual calendar months. These capacities will be published on the SEPS website as well as in the auction e-Portal in the date specified in Article 7 thereof.

3. Requests to the Transmission Capacity Reservation Auction

To take part in the monthly auction, the request shall be delivered over the period from the publication of capacities to 12:00 a.m. of the Final date for submitting the bids for monthly auction in terms of Auction calendar (Decisive Days for Monthly Auctions). The auction participant shall make bids for auction via Damas Energy e-Portal in such way and structure as defined by the Damas Energy Rules.

Any request shall set out:

1. auction participant,
2. specification of the required profile,
3. specification of the required transmission direction,
4. trading interval: calendar month which the request concerns
5. volume of the requested transmission capacity in MW (in integers), sum of all bids on the request must not exceed the offered capacity
6. the value of the bid in EUR/MW (max. two decimals) - it must be equal to zero or bigger than zero.

The SEPS Auctions Office can receive only one valid request for each direction, and the request may include maximum 20 bids. **The request may not include two or more bids with the identical price.** The auction participant will be given confirmation of the entry into Damas Energy e-Portal of the requests. In case that the request entry is withheld, the auction participant will be notified of the grounds therefor. Any communications with the system will be archived and any message will be time-flagged when going in or out Damas Energy e-Portal. Time-flagging will be done according to the system time displayed in Damas Energy e-Portal's user environment, which all data delivery deadlines are linked to.

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

4. Auction Process

All received bids are ordered by descending bid price. In case two or more delivered bids offer the same price per MW for the auctioned capacities, the earliest will take priority (the decisive criterion is the time stamp on the bid). Bids are met in that order until a bid exceeds ATC value in sum with all previous accepted bids.

If the sum of the capacities required in the valid bids does not exceed the available tradable transmission capacity offered, the fee for the bottleneck management will be equal to zero i.e., every auction participant will be given the required transmission capacity in the scope of the valid bids without the need to pay any fee for the bottleneck management.

If the sum of the capacities required in the valid bids exceeds the available tradable transmission capacity offered, the fee for the bottleneck management will be set per every 1 MW of the allocated capacity based on the lowest price from the accepted bids. The auction price set in this manner will be charged to every auction participant who will obtain a reservation of the transmission capacity per every 1 MW of the allocated transmission capacity.

Should there be more bids with the identical bid price and the sum of these bids together with the already accepted bids exceeds the capacity offered, then these bids with the marginal price are not accepted and the remaining capacity, i.e., non-allocated transmission capacity will be offered in daily auctions.

The following table in Figure 1 is an example:

Auction 1 Max. capacity: 200M W				SK → UA
Auction participant	Volume	Bid	Total	
	MW	EUR/MW	MW	
				Allocated
a	10	200	10	10 MW
b	20	50	30	20 MW
c	50	25	80	50 MW
b	20	22	100	20 MW
a	50	22	150	50 MW
d	30	20	180	Exceeded 0 MW
e	25	20	205	Exceeded 0 MW
a	30	10	235	Exceeded 0 MW
a	110	1	345	Exceeded 0 MW

Figure 1: Auction Record

In this case, the fee for bottleneck management for the given month amounted in this monthly auction to 22 EUR/MW. The "a" auction participant will be allocated a transmission capacity of 60 MW in total and will have to pay EUR 1320 for it. The non-auctioned 50 MW will be offered in daily auctions.

The bid from "d" and "e" participants - 20€/MW – a marginal bid will not be accepted.

5. Notice about the Auction Result

The SEPS Auction Office will notify each successful auction participant the following information via e-Portal Damas Energy:

1. profile and direction identification
2. Period of reservation of the transmission capacity

3. Volume of the transmission capacity allocated for the auction participant concerned in MW
4. Auction price in EUR/MW for the period defined in point 2
5. Fee for the bottleneck management in EUR for the period defined in point 2
6. Capacity Agreement Identification (CAI) – unique identification code assigned to allocated capacity by auction e-Portal

6. Use of Reserved Transmission Capacity

By allocating the transmission capacity at the cross-border transmission profile, the auction participant obtained a promise from SEPS that his transmission can be performed up to the volume of the allocated capacity maintaining the standard level of reliability of operation of transmission systems, excepting circumstances excluding liability, emergency situations and prevention of emergency situations according to the legislation generally binding in the Slovak Republic.

Considering the fact there is not fulfilled N-1 criterion on the SK-UA profile, during planned maintenance of the lines guaranteed ATC equals 0 MW. Information about planned maintenance will be published on www.sepsas.sk. There is no right to require compensation of fees related to allocation of ATC during planned maintenance.

The reservation of the transmission capacity at the specified transmission profile and in the specified direction becomes effective when the bottleneck management fee is paid, i.e., allocated capacity becomes reserved when fee is paid. The rights for the reserved capacity can be transferred only when the following conditions are met:

- The auction participant shall pay the price for the bottleneck management linked with the acquirement of rights to the reserved transmission capacity use in a month, in which the rights are assigned,
- The market participant transfers the capacity through the medium of the Damas Energy e-Portal before 12:00 a.m. on D-3; D is business day for which the rights are transferred.

Capacity rights can be transferred for individual hours of respective business day.

The Damas Energy e-portal shall register the transfer of the rights. The transfer of the rights hereby becomes effective.

In order to use the capacity reserved on SEPS side for the transmission it is necessary to have a valid and effective Framework Agreement on Electricity Transmission through Connecting Lines concluded with SEPS which is conditioned by conclusion of Agreement on Settlement of imbalances with OKTE, a.s. (Organizátor krátkodobého trhu s elektrinou, a.s.).

The reserved capacity rights can be used following m:n principle (cross-nominations). Cross-nomination allows using of reserved capacity rights with more than one counterparty on the other side of the border. The usage of the reserved capacities is allowed only for a registered market participant meeting the conditions for using the reserved capacities and having counterparty on UA side meeting conditions for using reserved capacities on UKRENERGO side. The capacity allocated by the SEPS Auction Office can be used exclusively only by that market participant who meets conditions of SEPS.

The use of the reserved capacities is made upon the delivery of schedules. A binding transmission schedule for the day D must be delivered by the market participant:

- to SEPS (Damas Energy e-Portal) by D-2 8:30 a.m. CET (CEST)

Every schedule shall contain CAI code assigned in auction process to allocated capacity used by sending the schedule. In case the party and its counterparty submit not matching transmission schedules, the schedule with the lower values is determining.

It is not possible to modify the schedule after the deadline. The rights to use the reservation of the transmission capacity are applied with the "use it or lose it" principle, i.e. the transmission capacity not confirmed by a binding schedule until the specified deadline, will be offered again under daily auctions of available tradable transmission capacities to all market participants.

7. Decisive Dates

- Publication of available transmission capacities - see the Auction calendar
- Deadline to submit requests for auctions - see the Auction calendar
- Publication of information about auction results - see the Auction calendar

8. Fee for the Bottleneck Management

The following terms and conditions apply for bottleneck management arising from an auction of the available tradable capacity for individual calendar months:

- SEPS issues an invoice on the next working day after the auction results are published and sends the original of the invoice by registered mail and copy by e-mail to the auction participant. Invoiced amount is transferred by auction participant to the SEPS bank account stated in invoice. The due date of the invoice is 5 working days after its issuing.
- Invoices for auction participants from EU shall meet the requirements according to the VAT act applicable in Slovak republic and European Union. In European Union it is a customer who pays VAT. SEPS shall issue the invoice exclusive of VAT and informs auction participants about their tax liabilities (mechanism „reverse charge“ is applied). Invoices for auction participants registered for VAT in the Slovak republic are issued including VAT.
- SEPS is entitled to invoice the late payment interest in amount of 1M EURIBOR + 8% p.a. (in case of 360-day financial year) from due amount for every day of delay. The interest is determined by 1M EURIBOR rate valid on the first day of payment delay. If the 1M EURIBOR does not reach a positive value (negative value), a 1M EURIBOR equal to zero is used in the interest calculation. The late payment interest shall be due within 14 days from delivery of its statement by fax. The invoice will be sent to the auction participant by registered post to the address of its registered office.
- Auction participant is obliged to pay all the bank fees. The payment date is the date when the relevant amount is credited to SEPS account. Invoices shall be paid by the due date specified on the invoice, exclusive of fee and exclusive of deduction and/or adjustment (receipt in favor of the SEPS account).
- If the invoice due date falls on Saturday, Sunday, or the public holiday, the due date is the following working day.
- Transmission fees including transmission fees regarding the cross-border charging including all other relevant and permissible fees shall be charged separately from congestion management charge.
- The payment is the condition for obtaining rights to use the allocated transmission capacity in the respective month.
- If the fee is not paid within the set date, the transmission capacity reservation will not come into force and the auction participant loses his rights to the allocated capacity, but his obligation towards SEPS doesn't become null and void. Auction participant is still obligated to pay the part of the fee which is equal to the difference between the fee set in

monthly auction process and the fee for a capacity in question charged to the third party/parties in the consequential process of daily auctions of the available tradable transmission capacity for the days of respective month. In case the capacity in question is not allocated in the daily auctions process or the capacity is allocated free of charge in the daily auctions process, obligation of auction participant toward SEPS to pay the fee for the bottleneck management from monthly auction remains in full force.

- The payment date is the day in which the amount was credited to the SEPS's account.
- All the bank fees are borne by the auction participant.

The SEPS Auction Office is entitled to adjust the payment by any higher cost (such as a change or introduction of taxes, fees and similar).

9. Curtailment of the allocated/reserved capacity

Allocated/reserved transmission capacity may be object of curtailment in cases when SEPS identifies the risk that the allocated/reserved transmission capacity cannot be guaranteed due to occurrence of an emergency situation, where SEPS must act in an expeditious manner with the aim to ensure secure and reliable operation of transmission system.

Announcement of the allocated/reserved transmission capacity curtailment shall be published by 8:30 a.m. CET (CEST) on D-2 (D is day of transmission) on the SEPS web page and in the Damas Energy e-Portal. In addition, SEPS Auction Office informs immediately by telephone or by e-mail all auction participants, whose allocated/reserved transmission capacity was curtailed, about date, duration and extension of curtailment and about the possible need for submission of new corrected schedules of cross-border transmissions.

If the situation in the electricity transmission network is improved before the announced end of curtailment, electricity transmission capacities released by the earlier end of curtailment will be offered in the daily auction process.

In the case of curtailment of reserved transmission capacity, excluding the case of Force Majeure where the auction participant has no right to get any compensation, each auction participant whose reserved transmission capacity has been curtailed has right for compensation for each curtailed MW of the reserved transmission capacity and for each hour of the curtailment. Compensation for 1 curtailed MWh is equal to auction price divided by number of hours of the given month, for which the capacity was allocated in the respective monthly auction.

Curtailment is performed with the use of the pro-rata principle i.e., transmission capacities are curtailed to all respective auction participants in the same ratio as it was applied to curtailment of the total allocated/reserved capacity. Any transmission capacity which remains with the auction participant after the proportional curtailment will be rounded down to entire MWs.

SEPS will issue a credit note for the compensation for the cancelled reservation of transmission capacity to the respective auction participants.

SEPS will issue a credit note by tenth (10th) calendar day of respective calendar month for all cases having occurred in the preceding month.

Notified compensation is due until the twentieth (20th) calendar day after sending the credit note to auction participant. If aforementioned due date falls on Saturday, Sunday or bank holiday, due date is the nearest working day.

10. Dispute Settlement

The auction participant and the SEPS Auction Office shall make a maximum effort to settle any potential disputes arising from the procedure of monthly auctions by conciliation. Disputable matters are discussed by representatives of the auction participant and the SEPS Auction Office

authorized to do so. The claiming party is required to call the other party in writing to settle the dispute, describing the dispute and if the claim can be evaluated in monetary terms, the determining the amount this party appreciates its claim, or defining its request and presenting evidence its claim is based on. The call is delivered to the other party in person or by registered mail.

If the dispute is not settled within 30 days from the remittance of the call to settle the dispute according to these Rules and the law of the Slovak Republic, the SEPS Auction Office or the auction participant are allowed to enter a lawsuit at the competent court in the Slovak Republic.

If the dispute is not settled within 30 days from the remittance if the call to settle the dispute and if auction participants have their registered seat outside the Slovak Republic, disputes are decided in an arbitration proceeding at the Arbitration Court by the Slovak Chamber of Commerce and Industry in accordance with these Rules, according to the law of the Slovak Republic and using the arbitration code of this Arbitration Court.

SEPS Auction Office Address

Slovenská elektrizačná prenosová sústava, a.s.
SEPS Auction Office
Mlynské nivy 59/A
824 84 Bratislava 26
Slovakia

E-mail: damas@sepsas.sk
Tel: +421 2 5069 2804
Fax: +421 2 5069 2817