

# **Rules of free negotiable transmission capacities monthly auction for 2005 on SEPS-MAVIR cross-border transmission profile organised by SEPS, a.s.**

The bottlenecks arise on the cross-border transmission profiles<sup>1)</sup> by demand outstripping the real transmission capacities. The process of allocating the cross-border transmission capacities of these bottlenecks is carried out through auctions. The auctions on SEPS/MAVIR profile are organised separately. Both MAVIR and SEPS offer in the auctions a half of ATC each on a joint profile; SEPS recognizes the capacity allocated in MAVIR auction and MAVIR recognizes the capacity allocated in SEPS auction. On SEPS side the auction is performed pursuant to these rules, on MAVIR side pursuant to the rules published by MAVIR, Rt.

The auction is an objective, non-discriminatory and market-based 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 transmission system. The auction processes shall be carried out in accordance with the deadlines specified in Attachment 3 to these rules.

All operations and steps implemented pursuant to these rules must have a written form.

The free negotiable transmission capacities for the calendar months of 2005 shall be allocated to the market participants through auctions. The capacities shall be offered as assured, except the provisions concerning the prevention of damages and provisions dealing with the issue of vis major, emergency situations and prevention of emergency situations by course of the generally binding legislation of the Slovak Republic.

## **1. Process of allocating the capacity**

The auction of free negotiable transmission capacities available for 2005 and the respective calendar months of that year on SEPS-MAVIR cross-border transmission profile is organised on SEPS side by SEPS, a.s. Auction Office. The offer of free negotiable transmission capacities is done in dependence on direction of transmission. The auction 1 describes direction from SEPS to MAVIR and the auction 2 describes direction from MAVIR to SEPS.

These rules of free negotiable transmission capacity allocation shall define, that each participant in the auction must deliver a written application for the auction of the transmission capacity reservation until the crucial day at the latest. The application must include the data defined in article 3 of these rules.

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<sup>1)</sup> A cross-border profile is a set of lines between two neighbouring transmission systems. In this case, the SEPS and MAVIR profile is concerned.

By the delivery of application for the auction, the participant in the auction takes over the obligation to pay down the Auction Office the qualified payment for the bottleneck management notwithstanding the fact if the reserved capacity is used or not.

A valid agreement with SEPS, a.s. on accession to the transmission system and on provision of the transmission services must be concluded before the use of the reserved capacity on transmission on SEPS side pursuant to effective version of the Commercial Code and the Transmission System Code of the Slovak Republic.

Potential amendment to the rules of monthly auctions shall be the first time effective for the first following monthly auction and must be published by the Auction Office at the latest on the day determined for the free negotiable transmission capacities publication on the Auction Office web-site.

The reserved capacities are used on the basis of the implementation diagrams submission and their receipt by SEPS and MAVIR pursuant to article 6 of these rules. The implementation diagrams shall be accepted respecting the principle 1:1, i.e., the accession to SEPS-MAVIR networks for the cross-border transmission pursuant to the rules of both operators must be secured to a market participant submitting the diagram and a market participant shall submit the identical implementation diagram to both operators.

The Auction Office registers the market participants with the secured accession to SEPS and MAVIR networks respecting the principle 1:1 on the basis of information provided by both transmission system operators: SEPS, a.s. and MAVIR. Information on the content of register regarding the partners in the principle 1:1 in the Auction Office shall be compared with the information on the content of register regarding the partners in the principle 1:1 on MAVIR side. In the case of non compliance of the participant couples – partners in principle 1:1 on both sides, SEPS, a.s. shall eliminate the participants from its register of partners in principle 1:1 provided that the eliminated partners are not allowed to submit the implementation diagrams of transmission. The Auction Office shall issue the confirmation of registration of the registered market participant upon his request.

## **2. Free negotiable transmission capacities**

In the monthly auctions for 2005, the SEPS, a.s. shall offer (following the agreement with MAVIR) a half of the total free negotiable transmission capacities on a joint cross-border transmission profile. These capacities will be published on SEPS, a.s. web-site according to deadlines defined by these rules.

## **3. Applications for auctions of the transmission capacity reservation**

Regarding the participation in the auction process the applications must be delivered personally or as the recommended letter to the Auction Office with the confirmation of receipt by the Filing Room – with determination of date and time of receipt – in the sealed envelopes separately for each direction with the following filled identification on the envelope:

<b>DO NOT OPEN!</b>
Application for the auction of the transmission capacity reservation for the ..... month of 2005
Profile: .....
Direction: .....

An order, in which the applications are registered in the advice of delivery, is determining in the case of collective delivery of applications for the auction

Only one valid application can be delivered for one profile and one direction (see [Attachment No. 1](#) to these rules on the web-site).

In the case if free negotiable transmission capacity auction for the respective month is concerned, the Auction Office will accept also the applications delivered by fax. The Auction Office will not guarantee the preservation of data confidentiality in the case of applications delivered by fax; it will however make an effort to secure the maximum safety of such data. A valid application must contain the following clear and readable data:

1. the identification of participant in the auction,
2. the information on the transmission direction (the number of auction),
3. the amount of the required reserved capacity in MW (in the integral numbers), at maximum equal the offered capacity,
4. the amount of the price offer in EUR/MW (with the accuracy of 2 decimal positions at maximum). (Offered prices of the free negotiable transmission capacity allocation and payment for the bottleneck management concern only the payment for the transmission capacity reservation, do not influence the obligation of payment for the agreed transmission and do not discharge of obligation to negotiate the conditions of transmission on MAVIR side),
5. the signature and stamp of participant in the auction.

The applications shall be delivered in a written form as stated in the [Attachment No. 1](#) with all described data and must be unconditional. The Auction Office is allowed to accept for evaluation only one valid form of application for each direction containing several (however maximally 20) offers ordered downward according to offered price per MW of the reserved capacity. The applications are binding and cannot be amended after submission. The applications can be withdrawn provided that a withdrawal is submitted in a written form at the latest at midday (12.00) on the crucial day for the registration of application.

The applications delivered by fax will be accepted only if verified by phone. A phone verification of the fax application acceptance shall be performed by the auction participant on the phone numbers of the Auction Office.

The applications, or the respective offers, failing to meet the specified requirements will be eliminated and will not be considered and classified among the evaluated applications/offers. The Auction Office shall observe the crucial date and hour of the application submission according to article 7 of these rules.

#### 4. Implementation of auction

The Auction Office shall collect all applications delivered till 12.00 on the crucial day. The Auction Office shall consider the applications in terms of completeness and accuracy, classify them according to the offered price and prepare the evaluation.

In the case, if the amount of the required capacities in valid applications/offers does not exceed the offered free negotiable transmission capacity, the payment for bottleneck management equals zero, i.e. each participant in the auction shall obtain the required transmission capacity in the extent of valid offers free of obligation to pay for the bottleneck management.

In the case, if the amount of the required capacities in valid applications/offers exceeds the offered free negotiable transmission capacity, the payment for bottleneck management for each 1MW of the allocated capacity shall be determined according to the lowest price from the accepted offers. Such auction price shall be charged to all auction participants obtaining the reservation of the profile transmission capacity for each 1MW of the allocated reserved transmission capacity.

In the case of more requirements with the same offered price, the sum of which together with already accepted requirements exceeds the offered capacity, these requirements with the marginal price shall not be accepted and the remaining, i.e. unallocated transmission capacity will be offered in the daily auctions/allocations. The following table serves as an example:

Auction No. 1 Max. capacity: 200MW				SEPS → MAVIR
Participant in the auction	Amount	Offer	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

Picture No. 1 The auction record

In this case, the payment for the bottleneck management for this annual auction in a given year amounted to 22 EUR/MW. The participant in auction "a" shall receive the allocated transmission capacity amounting to 60 MW and must pay EUR 1,320. Unallocated 50 MW will be offered in the daily auctions.

Offers of participants "d" and "a" – 20 EUR/MW – a marginal offer – shall not be accepted.

## **5. Auction result notice**

The Auction Office shall provide each successful participant in the auction until the crucial day with the following information:

1. the information on the auction number (direction),
2. the period of the transmission capacity reservation,
3. the amount of the reserved transmission capacity for each auction participant in MW,
4. the auction price in EUR/MW for the period defined in article 2,
5. the payment for the bottleneck management in EUR for the period defined in article 2.

## **6. Use of the reserved transmission capacity**

Reserving the transmission capacity on the cross-border transmission profile, the auction participant obtained the obligation from SEPS, a.s. and MAVIR, Rt., that his transmission up to the level of the reserved capacity is realisable maintaining the standard level of reliability of the transmission systems operation with the exception of vis major, emergency situations and prevention of the emergency situations pursuant to generally binding legislation of the Slovak Republic.

Repaying the price for the bottleneck management, the reservation of the transmission capacity on the respective transmission profile and in the respective direction is effective. Assignment of rights to the reserved capacity is only possible upon the fulfilment of the following requirements:

- the auction participant shall repay the part of 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 assigning the rights to the reserved capacity in accordance with the principles of DAMAS e-Portal<sup>2)</sup> shall assign the capacity at the latest 3 working days (respecting the holidays in Hungary) prior the beginning of period, for which the rights are assigned.

The rights to the reserved capacity can be assigned for the respective hours of a trading day.

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<sup>2)</sup> DAMAS e-Portal –SEPS, a.s. trade e-Portal

DAMAS e-Portal shall register the assignation of rights; the assignation of rights is thereby effective.

A valid agreement with SEPS on accession to the transmission system and on provision of the transmission services must be concluded before the use of the reserved capacity on transmission on SEPS side pursuant to effective version of the Commercial Code and the Transmission System Code of the Slovak Republic.

The reserved capacity use respecting the principle 1:1 means, that the use is enabled only to a registered market participant meeting the requirements of both transmission system operators (SEPS, MAVIR) for the reserved capacities use. The subjects meeting this requirement are registered by the Auction Office on the basis of the information exchange between SEPS and MAVIR. Confirmation of this registration shall be issued by SEPS, a.s Auction Office. The capacity allocated by SEPS, a.s. Auction Office can be used exclusively by the market participant meeting SEPS, a.s. requirements. The Auction Office performs the registration of the exclusive partners on the basis of a joint application of the exclusive partners. The registration is performed only for the whole calendar month and the application must be delivered to the Auction Office at least 5 working days prior the 1<sup>st</sup> day of a calendar month, for which the registration is required.

The reserved capacities are used on the basis of the implementation diagrams disposal respecting the principle 1:1. A compatible binding implementation diagram of transmission for the next day must be delivered by the market participant:

- to SEPS till 8:00 AM
- to MAVIR till 8:00 AM

In the case, if the participants deliver the incompatible implementation diagrams of transmission, the implementation diagram with the lower values is determining.

Amendments to the implementation diagram are not possible after this hour. The rights to the transmission capacity reservation use are executed on the basis of principle "use it or lose it", i.e. the transmission capacity not confirmed by the binding time schedule in the specified deadline will be reoffered in the framework of daily auctions of free negotiable transmission capacities to all market participants.

## **7. Crucial Days**

- Free transmission capacities publication – see [Attachment No. 3](#) to these rules
- Dead-line for submission of applications for the auctions – see [Attachment No. 3](#) to these rules
- Publication of information on the auction results – see [Attachment No. 3](#) to these rules
- [Attachment No. 3](#) to these rules is available on the web-site.

## **8. Payment for the bottleneck management**

The following requirements are valid for the payment of price in relation to the bottleneck management arising from the free negotiable capacity auction for the calendar months of 2005:

- The announced amount of payment for the bottleneck management is payable within 5 days following the announcement of the auction results.
- The payment is considered the condition of obtaining the rights to the reserved transmission capacity use in the respective month.
- In the case of failure to pay this amount in a due date, the reservation of the transmission capacity does not become effective and the auction participant loses the rights to the reserved capacity. This capacity is offered in the daily auctions of free negotiable capacity for the next days of the respective month of 2005.
- The day of payment is meant the day of putting the amount to the account of the Auction Office.
- All bank fees shall be borne by the auction participant.

The Auction Office is authorised to amend the payment in line with the increased costs (e.g. change or introduction of taxes, fees etc.)

## **9. Solution of disputes**

The auction participant and the Auction Office shall make the maximum effort to solve the potential disputes arising from the process of yearly auction by a consent decree. The disputable matters shall be negotiated by the authorised representatives of the auction participant and the Auction Office. The claiming party is obliged to ask the other party in written to solve a dispute. The claiming party shall describe a dispute and in the case of claim valuable in terms of money determine the amount of claim or define the requirement and submit the evidence supporting the claim. The notice shall be delivered to the other party personally or as a recommended letter.

In the case of failure to solve a dispute in 30 days from the date of delivering the notice regarding the solution of a dispute according to these rules and legislation of the Slovak Republic, the Auction Office or the auction participant can bring the action before the competent court of the Slovak Republic.

In the case of failure to solve a dispute in 30 days from the date of delivering the notice regarding the solution of a dispute provided that the domicile of the auction participants is outside the territory of the Slovak Republic, the disputes are solved in the arbitration proceeding of the Arbitration Tribunal of the Slovak Chamber of Commerce and Industry according to these rules, legislation of the Slovak Republic and using the arbitration order of this Arbitration Tribunal.