

# **Rules for the Monthly Auction of Available Tradable Transmission Capacities for 2006 on SEPS-MAVIR Cross-border Transmission Profile Organised by SEPS, a.s.**

**(The Slovak version of the Rules has the priority)**

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. Auctions at the the SEPS/MAVIR profile are held separately. Both MAVIR and SEPS, a.s. offer each a half of ATC at the common profile in auctions, while SEPS, a.s. accepts the capacity allocated in a MAVIR auction and MAVIR accepts the capacity allocated in a SEPS, a.s. auction. On part of SEPS, a.s., auctions are held according to these Rules and on part of MAVIR according to auction rules published by MAVIR, ZRt.

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 2](#) to these rules.

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

The available tradable transmission capacities for the calendar months of 2006 shall be allocated to participants through auctions. The capacities shall be offered as assured, except the period of planned cross-border line overhaul, provisions concerning the prevention of damages and provisions dealing with circumstances excluding liability, 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 available tradable transmission capacities available for 2006 and the respective calendar months of that year on SEPS-MAVIR cross-border transmission profile is organised on SEPS, a.s. side by SEPS, a.s. Auction Office. The offer of available tradable 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 available tradable 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 decisive day at the latest. The application must include the data defined in point 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 SEPS, a.s. Auction Office the qualified payment for the bottleneck management notwithstanding the fact if the reserved capacity is used or not.

In order to use the capacity reserved on part of SEPS, a.s., for the transmission it is necessary to have a valid and effective Agreement on Access to the Transmission System and the Provision of Transmission Services by the Transmission System of the Slovak Republic in 2006 and Agreement on Assessment and Settlement of Deviations for the Year 2006.

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

The Auction Office registers market participants with secured Access to the SEPS, a.s. and MAVIR systems following the 1:1 principle on the basis of information provided by the both transmission system operators SEPS, a.s. and MAVIR. The information about the content of the register of participants using the 1:1 principle in the Auction Office will be compared with the information about the content of the register of participants using the 1:1 principle on part of MAVIR. In case the pairs of participants-partners based on the 1:1 principle do not match on both side, SEPS, a.s. will exclude participants from its register of 1:1 principle partners and the excluded partners will have no opportunity to submit transmission schedules. Upon request, the Auction Office shall issue a confirmation of registration for a registered market participant.

## **2. Available tradable transmission capacities**

Following its agreement with MAVIR, SEPS, a.s. shall offer a half of the available tradable transmission capacities at the common cross-border transmission profile in the monthly auctions for 2006. These capacities will be published on the SEPS, a.s. website in the date specified in Article 7 thereof.

## **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 SEPS, a.s. 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:

Application for the auction of the transmission capacity reservation for the ..... month of 2006 <b>DO NOT OPEN!</b>
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 available tradable transmission capacity auction for the respective month is concerned, SEPS, a.s. Auction Office will accept also the applications delivered by fax. SEPS, a.s. 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 available tradable 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. SEPS, a.s. 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 application may not include two or more bids with the identical price. 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 decisive 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 SEPS, a.s. 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. SEPS, a.s. Auction Office shall observe the decisive date and hour of the application submission according to point 7 of these rules.

#### **4. Implementation of auction**

SEPS, a.s. Auction Office shall collect all applications delivered till 12.00 on the decisive day. SEPS, a.s. 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 available tradable 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 available tradable 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. 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 monthly auction in a given month 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**

SEPS, a.s. Auction Office shall provide each successful participant in the auction until the decisive 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 point 2,
5. the payment for the bottleneck management in EUR for the period defined in point 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., 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 circumstances excluding liability, 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 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 days (respecting holidays in Hungary) prior the beginning of period, for which the rights are assigned.

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

In order to use the capacity reserved on part of SEPS, a.s., for the transmission it is necessary to have a valid and effective Agreement on Access to the Transmission System and the Provision of Transmission Services by the Transmission System of the Slovak Republic in 2006 and Agreement on Assessment and Settlement of Deviations for the Year 2006.

The use the reserved capacities following the 1:1 principle means that the usage is allowed only for a registered market participant meeting the conditions of the both transmission system operators (SEPS, a.s., MAVIR) to use reserved capacities. Entities satisfying this requirement are registered by the Auctions Office based in the exchange of information between SEPS, a.s. and MAVIR. A confirmation of this registration is issued by the SEPS, a.s. Auction Office. The capacity allocated by the SEPS, a.s. Auction Office can be used exclusively only by that market participant who satisfies conditions of

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

SEPS, a.s. Exclusive partners are registered by the Auction Office based in a collective request of exclusive partners. Registration process is carried out only for complete calendar months and a request for registration must be delivered to the Auction Office no later than 5 business days before the 1st day of the calendar month for which the registration is requested.

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

- to SEPS, a.s. till 7:45 AM

In case the market participants submit not matching transmission schedules, the transmission schedules will be reduced or refused. In so far as the schedules do not tally in transmission value terms (MW) only, but the transmission direction tallies, less-valued transmission shall be accepted. Unless the schedules tally in the transmission direction, such unmatched schedules shall not be accepted.

Amendments to the schedule 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 available tradable transmission capacities to all market participants.

## 7. Decisive Days

- Available transmission capacities publication – see [Attachment No. 2](#) to these rules
- Dead-line for submission of applications for the auctions – see [Attachment No. 2](#) to these rules
- Publication of information on the auction results – see [Attachment No. 2](#) to these rules
- [Attachment No. 2](#) 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 available tradable capacity auction for the calendar month of 2006:

- The announced amount of payment for the bottleneck management is payable within 5 days following the announcement of the auction results.  
Fee for bottleneck management for January 2006 **is due until December 27<sup>th</sup> 2005.**
- 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 available tradable capacity for the next days of the respective month of 2006.
- The day of payment is meant the day of putting the amount to the account of SEPS, a.s Auction Office.
- All bank fees shall be borne by the auction participant.

SEPS, a.s. 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 SEPS, a.s. Auction Office shall make the maximum effort to solve the potential disputes arising from the process of monthly auction by a consent decree. The disputable matters shall be negotiated by the authorised representatives of the auction participant and SEPS, a.s. 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 to the address of its seat.

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, SEPS, a.s. 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.