

Rules for the 2006 Yearly Auction of Available Tradable Transmission Capacities at the Cross-Border SEPS-MAVIR Transmission Profile Organised by SEPS, a.s.

(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 the SEPS/MAVIR profile are held separately. Both MAVIR and SEPS, a.s. offer each a half of ATC at the half-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.

An auction is a unbiased, non-discriminatory and market-based process of allocating cross-border transmission capacities, eliminating speculative behaviour and compliant with the requirements of the Regulation of the European Parliament and Council No. 1228/2003/EC, 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 dates specified in Article 7 thereof.

Any acts and actions made under these Rules must be made in writing.

The 2006 available tradable transmission capacities will be allocated to market participants in the form of auctions. The capacities will be offered as secured capacities, 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 2006 and respective calendar months of this year at the SEPS-MAVIR cross-border profile is held on part of SEPS, a.s. by the SEPS, a.s. Auction Office. The offer of available tradable capacities is made depending in the direction of transmission. Auction 1 describes the SEPS to MAVIR direction and Auction 2 describes the MAVIR to SEPS direction.

These Rules of allocating available tradable capacity will specify that every participant in the auction must submit a written auction application for transmission capacity reservation until the decision date. The application must include the information indicated in Article 3 thereof.

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

Upon submitting their auction applications for transmission capacity reservations, the auction participant undertake to pay to the 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 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 upon the presentation of schedules and their acceptance by SEPS, a.s. and MAVIR in accordance with Article 6 thereof.

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 yearly auction for 2006. These capacities will be published on the SEPS, a.s. website in the date specified in Article 7 thereof.

3. Applications to the Transmission Capacity Reservation Auction

In order to take part in the auction process, applications must be delivered in person or by registered mail to the Auction Office with receipt confirmed by the mail room - indicating the date and time of receipt - in sealed envelopes separately for every direction and the following label filled in on the envelope:

Application to the 2006 Transmission Capacity Reservation Auction DO NOT OPEN!
Profile:
Direction:

If applications to the auction are delivered collectively, the sequence in which the applications are listed on the receipt note is decisive.

Only one valid application can be filed per one profile and one direction (see [Annex 1](#) to these Rules on the website). A valid application must include the following clear and legible information:

1. Identification of the participant in the auction,
2. Indication of the transmission direction (auction number)
3. Volume of the requested transmission capacity in MW (in integers) no more than equalling to the capacity offered
4. Price bid in EUR/MW (with accuracy to two decimal places). (Prices offered for allocation of a available tradable transmission capacity and a fee for the bottleneck management relate only to payments for reserving the transmission capacity and do not affect the duty to pay a fee for the negotiated transmission, and do not exempt from the duty to negotiate transmission conditions on part of MAVIR)
5. Signature and seal of the participant in the auction.

Applications are submitted in writing on the form provided in [Annex 1](#) with all the information described above and they must be unconditioned. The Auctions Office can receive only one valid application for each direction, and the form may include several bids (however, 20 in maximum) presented in a descending order according to the price offered per MW of a reserved output. The application may not include two or more bids with the identical price. The applications are binding and may not be modified once submitted. The applications can be withdrawn provided that the withdrawal is delivered in writing no later than on the date decisive for submitting applications by the noon.

Applications, or respective bids, not meeting the set requirements will be excluded and will not be taken into account and will not be included to applications/bids to be evaluated. The compliance with the requirement of date and time decisive for delivery of the application to the Auction Office is assessed according to Article 7 thereof.

4. Auction Process

The Auction Office will gather all the applications delivered until the noon of the decisive date. The Auction Office evaluates the applications in terms of completeness and correctness and will put them in a descending order with regard to the bided price and makes the assessment of the applications.

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

If the sum of the capacities required in the valid applications/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 participant in the auction who will obtain a reservation of the profile transmission capacity per every 1 MW of the allocated transmission capacity reserved.

Should there be more requests with the identical bid price and the sum of these requests together with the already accepted requests exceeds the capacity offered, then these requests with the marginal price are not accepted and the remaining capacity, i.e. non-allocated transmission capacity will be offered in monthly auctions. The following table in Figure 1 is an example:

Auction 1 Max. capacity: 200M W				SEPS → MAVIR	
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 year amounted in this yearly 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 Auction Office will notify each participant in the auction the following information:

1. Indication of the auction number (direction)
2. Period of reservation of the transmission capacity
3. Volume of the transmission capacity reserved 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. Use of Reserved Transmission Capacity

By reserving the transmission capacity at the cross-border transmission profile, the participant in the auction obtained a promise from SEPS, a.s. and MAVIR, ZRt. that his transmission can be performed up to the volume of the reserved 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.

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. The rights for the reserved capacity can be transferred only when the following conditions are met:

- The participant in the auction shall pay that part of the fee for the bottleneck management that is bound to the acquisition of the rights to use the reserved transmission capacity in the month in which the rights are transferred,
- The market participant transferring rights to the reserved capacity in accordance with the rules of the Damas e-portal transfers the capacity no later than 3 days before the beginning of the period for which the rights are transferred.

The Damas 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 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 of 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 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 use of the reserved capacities is made upon the presentation of schedules following the 1:1 principle. A matching binding transmission schedule for the following day must be presented by the market participant:

- to SEPS, a.s. by 7:45 AM
- to MAVIR by 8:00 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.

It is not possible to modify the schedule after this 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 the market participants.

7. Decisive Dates

- Publication of available transmission capacities - 29.11.2005
- Deadline to submit applications for auctions - 7.12.2005 12:00 AM
- Publication of information about auction results - 8.12.2005

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 2006:

- 1/12 of the notified fee for bottleneck management is due always on the 3rd day of a calendar month, starting with January 2006 and ending with November 2006. Fee for bottleneck management for January 2006 **is due until December 12th 2005**.
- The fee is the condition for obtaining rights to use the reserved transmission capacity in the following month, i.e. in January to December 2006.
- If this fee is not paid within the set date, the transmission capacity reservation will not come into effect and the participant in the auction loses their rights to the reserved capacity for the rest of the period including the month in which the fee was not paid in time. This capacity will be offered in monthly auctions of the available tradable transmission capacity for the following month in 2006
- The payment date is the day in which the amount was credited to the Auction Office's account.
- All the bank fees are borne by the auction participant.

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

9. Dispute Settlement

The participant in the auction and the Auction Office shall make a maximum effort to settle any potential disputes arising from the procedure of yearly auctions by conciliation. Disputable matters are discussed by representatives of the participant in the auction and the Auction Office authorised 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 valuated 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 Auction Office or the participant in the auction 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 participants in the auction 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.

for yearly auction - year 2006_____
Name of the Company_____
Address of the Company_____
Identification Code / Tax Identification Code (ID No. for VAT)_____
Contact Person_____
Telephone / Fax_____
EAN / EIC Code of the Company (optional indication)_____
Correspondent Address, Fax number for invoice sending***Bid for the auction***Auction - direction 1 from SEPS to MAVIR
Auction - direction 2 from MAVIR to SEPS

Bid No.	MW	EUR / MW *	Bid No.	MW	EUR / MW *
1			11		
2			12		
3			13		
4			14		
5			15		
6			16		
7			17		
8			18		
9			19		
10			20		

Please mark the valid data with a cross.

The auction participant expresses by submitting this application his acceptance of the published rules for transmission capacities allocation according to the SEPS, a.s. Auction rules and he obliges himself to pay the price for congestion management.

Date:

signature and stamp

* Bid price excluding V.A.T. (Value Added Tax)