

Rules for the Monthly Auction of Available Tradable Transmission Capacities for 2016 at the SEPS-WPS 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 SEPS/WPS profile are organised 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 behaviour and compliant with the requirements of the Regulation of the European Parliament and Council No. 714/2009/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 Annex 1 to these Rules.

The available tradable transmission capacities for the calendar months of 2016 will be allocated to market participants by means of 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 2016 and respective calendar months of this year at the SEPS-WPS 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

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

<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.

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 2. Information about use of alternative monthly auction procedure according to Annex 2 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 Annex 1 (Decisive Days for Monthly Auctions for the Year 2016). Information shall be published on the SEPS web-page (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 Settlement Agreement for Balancing 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 WPS in accordance with Article 6 thereof.

2. Available Tradable Transmission Capacities

Independently on WPS, SEPS will offer available tradable transmission capacities at the common cross-border transmission profile in the monthly auctions for 2016. 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 Annex 1 (Decisive Days for Monthly Auctions for the Year 2016). 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 has to 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				SEPS → WPS
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 SEPS/WPS 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 Settlement Agreement for Balancing 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 WPS side meeting conditions for using reserved capacities on WPS 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 following day must be delivered by the market participant:

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

Every schedule shall contain CAI code assigned in auction process to allocated capacity used by sending the nomination. 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 **Annex 1** to these Rules
- Deadline to submit requests for auctions - see **Annex 1** to these Rules
- Publication of information about auction results - see **Annex 1** to these Rules

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 calendar months of 2016:

- 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 fax 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 + 2% 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. 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 favour 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 with regard to 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 of 2016. 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. on D-1 (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 fall 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 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 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 2393
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Decesive Days for Monthly Auctions for the Year 2016

Month	Publishing of available capacities for monthly auction	Final date for submitting of Bids for monthly auction 12:00 a.m.	Final date for publishing of monthly auction results	Issuing of invoice	Maturity date of invoice
January	01.12.2015	08.12.2015	09.12.2015	09.12.2015	16.12.2015
February	05.01.2016	12.01.2016	13.01.2016	13.01.2016	20.01.2016
March	02.02.2016	09.02.2016	10.02.2016	10.02.2016	17.02.2016
April	01.03.2016	08.03.2016	09.03.2016	09.03.2016	16.03.2016
May	05.04.2016	12.04.2016	13.04.2016	13.04.2016	20.04.2016
June	03.05.2016	10.05.2016	11.05.2016	11.05.2016	18.05.2016
July	07.06.2016	14.06.2016	15.06.2016	15.06.2016	22.06.2016
August	04.07.2016	12.07.2016	13.07.2016	13.07.2016	20.07.2016
September	02.08.2016	09.08.2016	10.08.2016	10.08.2016	17.08.2016
October	06.09.2016	13.09.2016	14.09.2016	14.09.2016	21.09.2016
November	04.10.2016	11.10.2016	12.10.2016	12.10.2016	19.10.2016
December	08.11.2016	15.11.2016	16.11.2016	16.11.2016	23.11.2016

Alternative monthly auction procedure

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 these alternative rules. Information about use of alternative monthly auction procedure according to this Annex 2 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 Annex 1 (Decesive Days for Monthly Auctions for the Year 2016). Information shall be published on the SEPS web-page (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.

1. 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 SEPS 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 Transmission Capacity Reservation Auction for the.....month of 2016 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.

SEPS Auction Office **will accept also the applications delivered by fax**. SEPS Auction Office will not guarantee the preservation of data confidentiality in the case of applications delivered by fax. **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 recorded phone numbers of SEPS Auction Office:

+421 2 5069 2804 Only one valid application can be filed per one profile and one direction (see the form *Application for the Auction of Transmission Capacity Reservation on SEPS - WPS profile*). A valid application must include the following clear and legible information:

1. Identification of the auction participant,
2. Indication of the transmission direction (auction number)
3. Volume of the requested transmission capacity in MW (in integers), sum of all bids on the application may not exceed the offered capacity

4. Price bid in EUR/MW (with accuracy to two decimal places). (Prices offered for allocation of an 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 WPS)
5. Signature of the auction participant.

Applications are submitted in writing on the form *Application for the Auction of Transmission Capacity Reservation on SEPS - WPS profile* with all the information described above and they must be unconditioned. The SEPS 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.

2. Auction Process

The SEPS Auction Office will gather all the applications delivered until the noon of the decisive date. The SEPS Auction Office evaluates the applications in terms of completeness and correctness and will put all bids 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 auction participant 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 auction participant who will obtain a reservation of the profile transmission capacity per every 1 MW of the allocated transmission capacity reserved.

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				SEPS → WPS
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.

3. Notice about the Auction Result

The SEPS Auction Office will notify each successful auction participant 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. Capacity Agreement Identification (CAI) - unique identification code assigned to allocated capacity

for monthly auction - month.....2016

Name of the Company

Address of the Company

Identification Code / Tax Identification Code (ID No. for VAT)

Contact Person

Telephone / Fax

EIC Code of the Company

Correspondent Address, Fax number for invoice sending

Bid for the auctionAuction - direction 1 from SEPS to WPSAuction - direction 2 from WPS 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 the Monthly Auction of Available Tradable Transmission Capacities for 2016 at the SEPS-WPS Transmission Border Organised Unilaterally by SEPS and he obliges himself to pay the price for congestion management.

Date:

signature and stamp

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

**Rules on Daily Auctions of Available Transmission Capacities for 2016 on
the SEPS-WPS Cross-Border Transmission Profile
Organised Unilaterally by Slovenská elektrizačná prenosová sústava, a.s.
(hereinafter referred to as "SEPS")**

(The Slovak version of the Rules has the priority)

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.

The auction 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. 714/2009/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 will be performed electronically considering the scale of data flows, time conditions of realization and data protection and security requirements.

Available transmission capacities for 2016 trading days will be allocated to the market participants through auctions. The capacities will be offered as **unilaterally** 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 auctions of available transmission capacities on the SEPS-WPS cross-border profile will be organised by the Auction Office, meaning SEPS Auction Office in this case.

1. Realisation of daily auctions

Considering the scale of data flows, time conditions of execution, and data protection and security requirements, daily auctions are carried out in the Damas Energy e-Portal - run by SEPS at <https://dae.sepsas.sk>. Access to the Damas Energy 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. All information for auction participants is published in this e-Portal. Detailed information concerning using of Damas Energy system are included in the on-line documentation of Damas Energy available at <https://dae.sepsas.sk> via

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

public access. In e-communications the auction participant undertakes to follow the rules described in the on-line documentation of Damas Energy e-Portal.

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) - a daily auction will 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 will be cancelled and this shall not be subject to any compensations.

2. Requirements for Participating in the Auction Procedures

On the SEPS side 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 Settlement Agreement for Balancing with OKTE, a.s. (company Organizátor krátkodobého trhu s elektrinou, a.s.).

Participation in auctions and use of reserved capacities is only allowed for a market participant meeting any of the following conditions:

- he satisfies the conditions of both Transmission System Operators (TSOs) (SEPS and WPS)
- he satisfies the conditions of the SEPS operator, and his counterparty on WPS side satisfies the conditions of WPS operator.

Allocated capacity rights can be used while respecting m:n principle (cross nomination). Cross nomination enables to use allocated transmission rights with more than one partner on the other side of the border.

3. Available transmission capacities

SEPS will offer separately from WPS in the daily auction available capacities at the respective hours of the day, to be specified separately for each direction as a difference between the total available capacity of the line in a given direction specified by both TSOs and the sum of the confirmed transmissions of the individual market participants for a given hour, which have been confirmed using the capacity allocated in the monthly auction.

The part of the capacity allocated in the monthly auction, which has not been used by the users for nomination of transmission till 8:30 a.m. on the day preceding the realisation day (D-1) at latest, shall thus be allocated in the daily auction together with a relevant increase in the maximum value of the overall available capacity arising out of the technical assessment of the network situation undertaken by SEPS and WPS.

The available capacity offered in the daily auction will be published in Damas Energy e-Portal every day at 09:00 a.m. The capacity will be published for every hour of the day, separately for WPS to SEPS and SEPS to WPS directions.

4. Transmission capacity auction bid

To take part in the daily auction, the bid shall be delivered by 10:00 a.m. on D-1. 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 bid shall set out:

1. auction participant,
2. specification of desired profile,
3. specification of desired transmission direction,
4. trading interval: trading day and trading hour(s) which the bid concerns,
5. For each hour of the day the amount of the transmission capacity to be reserved in MW (nonnegative number, maximally equal to the published ATC in each hour),
6. The value of the bid in EUR/MW (max. two decimals) in each hour - it has to be equal to zero or bigger than zero.

Within Damas Energy e-Portal the auction participant will be given confirmation of the bids submission into the Damas Energy e-Portal. In case that the bid submission is rejected, 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 bid made after the deadline or failing to comply with the conditions above shall not be accepted.

5. Capacity auction procedure

All received bids for respective hour 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 total amount of requested reservation of capacity is lower than the ATC or equals the ATC, auction price is zero, i.e. each auction participant will receive the reserved capacity according to his bid and free of charge at the bottleneck.

If the total amount of the requested reservations of capacity exceeds the available capacity for reservation, the price for the reservation of capacities will be determined

by the bid with the lowest price offer, accepted, even in a reduced amount, by SEPS in the allocation process of the auctioned reservation of capacities ("auction price").

This auction price shall be paid by all auction participants receiving a reservation of capacity.

The following table, Figure 1, shows an example:

Auction no. 1		Max. Capacity:			100	SK-HU	Date:	25.11.2014	Hour:	1
bidder	amount	bid	time stamp	total						
	MW	EUR/MW	hh:mm:ss	MW						
				0						
a	10	1 000	09:10:03	10					auctioned	
b	20	300	09:15:27	30					10 MW	
c	50	250	09:02:14	80					20 MW	
b	30	200	09:05:52	110	<i>reduced</i>				50 MW	
a	50	200	09:17:08	160	<i>exceeded</i>				20 MW	
d	30	150	09:08:03	190	<i>exceeded</i>				0 MW	
e	20	100	09:10:28	210	<i>exceeded</i>				0 MW	
e	20	90	09:16:34	230	<i>exceeded</i>				0 MW	
a	30	80	09:35:01	260	<i>exceeded</i>				0 MW	
b	110	70	09:49:58	370	<i>exceeded</i>				0 MW	
f	20	100	10:10:03		<i>excluded</i>	gateclosure				

Figure 1: Daily Auctioning

In this example, the charge for auctioned daily reservation is determined at 200 EUR/MW. Bidding company "a" receives a total of 10 MW and has to pay 2000 EUR, "b" receives a total of 40 MW and has to pay 8000 EUR – second bid of the bidding company "b" is reduced.

In case all delivered bids offer the same price per MW for the auctioned capacities and the total request for the reservation of capacities is higher than the available capacity auctioned for reservation, the capacity will be allocated according to the principle "first come – first served". The decisive criterion is the time stamp of each bid.

6. Notification of the auction results

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

1. transmission capacity reservation period,
2. profile and direction identification,
3. the amount of the allocated transmission capacity for a given auction participant at the respective hours in MW,
4. amount of payment for allocated capacity for each hour in EUR/MW
5. Capacity Agreement Identification (CAI) – unique identification code assigned to allocated capacity by auction e-Portal

The results will be published till 10:30 a.m. on D-1.

The capacity allocated in the daily auction is allocated on the whole profile on behalf of SEPS. At WPS-side auction participant shall ensure the required capacity separately.

7. Use of the 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.

To use the allocated capacity and agree transmission on the side of SEPS, an auction participant shall submit to the Damas Energy the transmission schedules separately for each direction while respecting the m:n principle. The transmission schedule for the following day shall:

- be submitted by the auction participant to Damas Energy by D-1 1:00 p.m.,
- each schedule shall contain a valid counterparty identification (EIC code), profile and direction,
- each schedule shall contain for every trading hour the power to be transmitted at a given hour. This value shall be a nonnegative number and at most equal to that of the capacity allocated in the daily auction,
- each schedule shall contain CAI code assigned to allocated capacity used by sending the nomination.

The transmission schedule of the auction participant will be compared to the transmission schedule submitted by the auction participant's counterparty to the Ukrainian transmission operator. In so far as the transmission schedules do not match in transmission value terms (MW) only, but the transmission direction matches, less-valued transmission will be accepted by SEPS. Auction participant is informed about reduction of nominated values by message in the Damas Energy e-Portal. Unless the transmission schedules does not match in the transmission direction, such unmatched schedule shall not be accepted by SEPS. Market participant is informed about refusal of nominated values by message in the Damas Energy e-Portal. In case submitted transmission schedule matches with that submitted to the Ukrainian transmission operator, the transmission schedule will be accepted.

By accepting the transmission schedule in Damas Energy e-Portal and confirming the successful entry in the system, electricity transmission will be agreed between the auction participant and SEPS for the day given in the request made, to the extent laid down in the schedule accepted. Trade will be agreed under the number to be automatically assigned by the Damas Energy database.

The transmission capacity rights shall be used on the "use it or lose it" principle. Changes in the transmission schedule after the deadline above shall be impermissible.

8. Transfer of the reserved capacity

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

9. Fee for the Bottleneck Management

Daily auction results shall be paid in monthly billing periods. SEPS issues an invoice on the next working day after the respective monthly period and sends the original of the invoice by registered mail and copy by fax 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 + 2% 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. 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 favour 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 with regard to the cross-border charging including all other relevant and permissible fees shall be charged separately from congestion management charge.

10. Curtailment of the reserved capacity

Reserved transmission capacity may be object of curtailment in cases when SEPS identifies the risk that the 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 reserved transmission capacity curtailment shall be published by 1:00 p.m. on D-1 (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 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.

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 reserved capacity. Any transmission capacity which remains with the auction participant after the proportional curtailment will be rounded down to entire MWs.

Curtailment of reserved transmission capacity is taken into account when billing for reservation of transmission capacities allocated at daily auctions. For curtailed transmission capacity is not charged any fee. An exception is a case of force majeure, when the auction participant is not entitled to any compensation for curtailed transmission capacity.

11. Dispute settlement

An auction participant and the SEPS Auction Office shall make every effort to settle potential dispute arising out of, or in connection with, the daily auction procedures by conciliation. Contentious matters shall be discussed by authorised representatives of the auction participant and of the SEPS 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 SEPS Auction Office or the auction participant may file a lawsuit with the competent court in the Slovak Republic.

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