

## M3.E.4.

### Daily Shadow Auction Rules for the Allocation of capacities on the interconnection congestion between the control areas of Slovenská elektrizačná prenosová sústava, a.s. (“SEPS, a.s.”) and MAVIR, Zrt. (“MAVIR”)

### Daily Shadow Auction Rules for the Reservation of Capacities with respect to the MAVIR – SEPS, a.s. Transmission Border (“Daily Shadow Auction Rules”)

#### Definitions / Terms

Terms used herein and not otherwise defined herein shall have the meanings given such terms as follows:

- **4M Market Coupling (Market Coupling):** is a coordinated day-ahead electricity implicit auction mechanism in the Czech-Slovak-Hungarian-Romanian market areas, performing the matching of the supply and demand curves of different power exchanges, taking into account the cross border capacity made available by the TSOs.
- **Allocated Capacity:** for the daily shadow auctions this is the capacity that the Auction Participant gains by notification of the *Auction* results.
- **Auction Office:** the entity within MAVIR executing the daily shadow auction procedures.
- **Auction Participant:** A person and/or an entity taking part in the auction procedures set out in the Daily Shadow Auction Rules and submitting to the Daily Shadow Auction Rules.
- **Auction Price:** the price in EUR/MWh to be paid by Auction Participants receiving a reservation of capacity in case the total amount of the requested reservation of network capacity exceeds the ATC.
- **Bid Price:** the highest price in EUR/MWh which an Auction Participant is willing to pay for 1 MW of Capacity. He must be prepared to pay this Bid Price.
- **Capacity:** cross-border transmission capacity in MW.

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- **Capacity Allocation Platform (“KAPAR system”)**: an internet based platform to perform the Daily Capacity Auction, technically hosted by KAPAR system and functionally operated by the Auction Office, and which can be accessed at website: <https://www.mavir.hu/>.
- **Curtailement**: Reduction of daily Allocated Capacity or Used Capacity.
- **Daily Available Transmission Capacity (“ATC”)**: the part of the NTC that remains available, after each phase of the allocation procedure and nomination procedure, considering netting process, for further commercial activity and which shall be offered in the daily shadow auction procedures.
- **Daily Shadow Auction Bid**: is an offer by an Auction Participant to purchase rights to use capacity submitted in an auction pursuant to and in compliance with these Daily Shadow Auction Rules; such an offer consists of two values per product (capacity per direction): a Capacity in MW and a Bid Price in Euro per MWh.
- **Daily Shadow Auction Rules**: the regulations set out in this document applicable to the allocation of the reservation of capacities at the transmission interconnections between the control areas of SEPS , a.s. and MAVIR, including General Rules for the Auctioning of the Reservation of Transmission Capacities and Specific Rules for the Daily Shadow Auctions of the Reservation of Transmission Capacities and describing the procedure applied to Daily shadow auctions.
- **Decoupling**: a situation where it is not possible, for a specific day, to allocate the available transmission capacity (final offered capacity) via normal 4M Market Coupling procedure.
- **Early Decoupling**: Decoupling announced before PX gate closure time.
- **EIC-Code**: Energy identification code serving to clear the identification of Auction Participants in a cross-border trade (see [https://www.entsoe.eu/fileadmin/user\\_upload/edi/library/eic/cds/area.htm](https://www.entsoe.eu/fileadmin/user_upload/edi/library/eic/cds/area.htm)).
- **Emergency Situation**: A situation where a TSO must act in an expeditious manner and redispatching or countertrading is not possible as defined by Article 16 of Regulation 714/2009/EC.
- **ENTSO-E** (“European Network of Transmission System Operators for Electricity”): an International Association with membership of European Transmission System Operators with the aim to contribute to reliable and

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efficient pan-European and regional markets, ahead of the European Union Third Legislative Package of the Internal Electricity Market.

- **EU-Regulation:** the Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and Directive 2009/72/EC of the European parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity valid on the day of issuing of the Daily Shadow Auction Rules.
- **Fallback:** The solution to handle Decoupling in the 4M Market Coupling. In this case on the SK-HU border explicit capacity auction will be held in line with this Daily Shadow Auction Rules. MAVIR is responsible for the official announcement of Fallback.
- **Force majeure:** sudden unforeseen conditions and/or events and/or circumstances which, or the results of which, are beyond the reasonable control of MAVIR and SEPS, a.s. and which cannot be prevented or overcome with reasonable foresight and diligence and which in the professional assessment of MAVIR and/or SEPS, a.s. put under risk the security of supply, provision or transmission of electricity, or the technical safety of a given Control Area(s)/Control Block(s) or its significant part and which cannot be solved by measures which are from a technical, financial and/or economic point of view reasonably possible for MAVIR and/or SEPS, a.s.. The following events are examples of Force Majeure only when and to the extent that they make impossible or cause to be extremely difficult the fulfilment of an obligation: natural disasters such as flood, fire, earthquake or epidemic; social events whether declared officially or not, such as war, civil war, curfew, embargo, boycott, looting, riot, public disorder, terrorist actions and illegal demonstrations; regardless of whether lawful or unlawful, strike, slow-down of work, occupation of workplace and similar labour actions.
- **Interconnection:** a single and/or double circuit lines between the Hungarian and Slovak transmission system which connects the control areas of MAVIR and SEPS, a.s. synchronously. In the present there are two lines, both operated at the voltage 400 kV (single circuit), first operated between the substation Győr and the substation Gabčíkovo and the second operated between the substation Göd and the substation Levice.
- **Loop Flow:** the difference between the exchange programs and the physical flows at the transmission interconnections.

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- **MAVIR Zrt.** (“MAVIR”) with registered office in H-1031 Budapest, Anikó u. 4. and incorporated in the Commercial Register kept by Budapest Court of Justice with the Company Identification No. 01-10-044470. The Hungarian Independent Transmission Operator is responsible for the handling of the daily shadow auction procedures which is operated on behalf of MAVIR and SEPS.
- **Net Transfer Capacity** (“NTC”): the maximum exchange program between two control areas compatible with security standards applicable in both areas and taking into account the technical uncertainties on future network conditions.
- **Transfer:** the trading of the reservation of capacity purchased in the course of auctions between market participants.
- **Shadow Auction:** the fallback solution of 4M Market Coupling to allocate daily ATC. Shadow auction is a technical auction of daily ATC on the Slovak-Hungarian border done by MAVIR every day of the 4M Market Coupling. During the normal operation of Market Coupling the daily shadow auction is cancelled before evaluation of the daily shadow auction bids. Evaluation of daily shadow auction bids and publication of auction results only happen if a Fallback is officially announced. Rules of the Shadow Auction are defined in this Daily Shadow Auction Rules document.
- **Slovenská elektrizačná prenosová sústava, a.s.** (“SEPS, a.s.”) with registered office in Mlynské nivy 59/A, 824 84 Bratislava 26, Slovakia incorporated in the Commercial Register kept by the District Court in Bratislava, Section Sa, Entry 2906/B, with Company Identification No. 35829141.
- **Used Capacity:** the capacity that has been used for nomination of cross-border transmission of electricity.
- **Working Day:** The calendar days from Monday to Friday, with the exception of Hungarian bank holidays.

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# General Rules for the Auctioning of the Reservation of ATC on the MAVIR - SEPS, a.s. Interconnection

The following provisions shall in general apply to daily shadow auctions:

## A)

### Scope of the Daily Shadow Auction Rules

1. The demand for capacity at the Interconnection between SEPS, a.s. and MAVIR is usually much higher than the ATC. In order to obtain maximum transparency in the allocation of the ATC and to avoid discrimination in allocating the ATC, explicit auctions are held for yearly and monthly time frames, while an implicit allocation is performed on a daily basis in the CZ-SK-HU-RO market areas. However in case of decoupling fallback solution is applied on SEPS/MAVIR border in order to allocate daily ATC by means of explicit shadow auction, according to the Daily Shadow Auction Rules described in this document. The Daily Shadow Auction Rules are construed in accordance with the regulations set out by European law, in particular by the EU-Regulation and Slovak and Hungarian law and by the Slovak and Hungarian Regulatory Authorities. In order to correspond with these legal requirements the auction covers the reservation of the ATC. The auctioning of the reservation of the ATC aims at providing a transparent method of congestion management.
2. This document contains the terms and conditions for the daily shadow auctioning of the reservation of ATC at the Interconnection that is jointly offered by MAVIR and SEPS, a.s.
3. Shadow auctions for daily ATC for the time period of the 4M Market Coupling solution of CZ-SK-HU-RO will be held in order to ensure that reservations of ATC will be valid for each side of the Interconnection. Shadow auctions for daily ATC will be held by MAVIR.
4. SEPS, a.s. will fully accept the result of the individual daily shadow auction procedures held by MAVIR provided these procedures are consistent with the terms and conditions of the Daily Shadow Auction Rules and will carry out the transmission services according to the respective auction results in compliance with the legal requirements of grid access, possible electricity import bans and applicable market rules.
5. These Daily Shadow Auction Rules only deal with the reservation of ATC at the Interconnection.

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6. Shadow auction will only have results in case of a Fallback resulting from Decoupling in 4M Market Coupling.

**B)**  
**General Provisions**

7. The ATC is determined by MAVIR and SEPS, a.s. in accordance with the applicable technical rules, particularly in accordance with the applicable rules published by the ENTSO-E, applicable laws and regulations in a transparent and non-discriminatory way.
8. The ATC is published according to the regulations set out in these Daily Shadow Auction Rules. The daily ATC is offered for reservation by MAVIR through the use of the KAPAR system. The document "KAPAR User's Guide" contains detailed rules for using the KAPAR system. This document and the "Daily Shadow Auction Rules" are published on the website of MAVIR [www.mavir.hu](http://www.mavir.hu).
9. If these "KAPAR User's Guide" conflict with the "Daily Shadow Auction Rules", the "Daily Shadow Auction Rules" take priority.
10. Market participants will be informed in due time on the website of MAVIR [www.mavir.hu](http://www.mavir.hu) and in the KAPAR system about the ATC for the reservation for the daily shadow auction procedure.
11. The Allocated Capacity or Used Capacity can be curtailed in case of an Emergency Situation. Details about Curtailment procedure including financial issues are described in Annex 1.
12. Each purchase of reservation of daily capacity made pursuant to the Daily Shadow Auction Rules shall be deemed to constitute a contract between MAVIR on the one hand and the Auction Participant on the other hand ("Contract"). With the purchase of reservation of capacity the Auction Participant assumes the rights and the duties set out in the Daily Shadow Auction Rules, especially the full payment of the Auction Price in due time.
13. Pursuant to applicable Slovak law SEPS, a.s. may be forced to refuse demands for services of electricity transport if the transport endangers the system operation security.
14. Pursuant to applicable Hungarian law MAVIR may be forced to refuse demands for services of electricity transport if the transport endangers the safe operation or the balancing of the Hungarian power system.

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15. If the Auction Participant does not fulfil or only partially fulfils any obligation resulting from the Contract in due time, especially if the Auction Participant does not pay the full Auction Price within the time limits set out in the Daily Shadow Auction Rules, MAVIR is entitled either to enforce the completion of the Contract and hold the Auction Participant liable for the Auction Price, interests, charges and expenses including attorney's fees, arising from the enforcing of the completion of the Contract or to withdraw from the Contract and hold the Auction Participant liable for the total damage resulting from the withdrawal, such as, but not limited to fees, including attorney's fees.
16. With the delivery of a daily shadow auction bid the Auction Participant shall be obliged to pay the Auction Price for the reserved capacity. The Auction Participants shall not be entitled to offset and/or withhold any debts arising in connection with obligations resulting from an auction to any claims of SEPS, a.s. and/or MAVIR, whether or not arising out of an auction.
17. Furthermore, with the delivery of a daily shadow auction bid the Auction Participant accepts the auction regulations set out in the Daily Shadow Auction Rules and submits to the Daily Shadow Auction Rules without any reservation. If the Auction Participant does not submit to the Daily Shadow Auction Rules, the Auction Participant shall be expressly barred from the participation in the daily shadow auction process and the daily shadow auction bids shall not be accepted by the Auction Office.
18. By notification of the Auction result Auction Participant gains Allocated Capacity in accordance with notified Auction results. Allocated Capacity is guaranteed by SEPS, a.s. and MAVIR except the cases of Curtailment. Auction Participant is obliged to pay the fee for allocated capacity rights in accordance with these Daily Shadow Auction Rules.
19. SEPS, a.s. and MAVIR reserve the right to amend and/or adapt the Daily Shadow Auction Rules. The actual version of the Daily Shadow Auction Rules will be published on the website of MAVIR [www.mavir.hu](http://www.mavir.hu) and on the website of SEPS, a.s. [www.sepsas.sk](http://www.sepsas.sk) minimum 15 days before coming into force. By the delivery of a daily shadow auction bid after the amendments and/or the adaptations being published, the Auction Participant submits to the new version of the Daily Shadow Auction Rules.

**C)**  
**Liability**

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20. SEPS, a.s. and/or MAVIR shall only be liable for any damage caused by willful misconduct or gross negligence. Claims for damages arising out or related to the Daily Shadow Auction Rules and/or the Contract are limited to the damages typical and foreseeable, unless SEPS, a.s. and/or MAVIR have acted wilfully or by gross negligence. In no event shall SEPS, a.s. and/or MAVIR be liable for any loss of profit, loss of business, or any other damages of any kind. In any case the liability of SEPS and/or MAVIR for damages arising out or related to the Daily Shadow Auction Rules and Procedure shall be limited to € 5.000,-- in total.
21. SEPS, a.s. and MAVIR undertake to carry out the provisions set out in the Daily Shadow Auction Rules with the diligence of a careful businessman and control area manager in compliance with the applicable regulations set out by European law, respectively by the EU-Regulation, Slovak and Hungarian law and by the Slovak and Hungarian Regulatory Authorities.
22. Liability for a breach of contract damaging life, physical well-being, or health that has been caused willfully, by gross negligence, or by a felony offense cannot be validly excluded.
23. Any contractual clause shall be null and void if it beforehand limits or excludes liability for damage proceeding from willful or gross negligence; injury to life, physical well-being, or health; or the consequences of a crime.

#### **D)**

#### **General Requirements for Participating in the Daily Shadow Auction Procedures**

24. For participating in the daily shadow auction procedures Auction Participants have to fulfil the requirements set out in the Daily Shadow Auction Rules as well as in the document "KAPAR User's Guide" published on the website of MAVIR [www.mavir.hu](http://www.mavir.hu)

With the delivery of the Registration Form (Annex 2) the Auction Participant declares legally binding and irrevocably that:

- he is business company operating and incorporated under law and is not subject to bankruptcy or liquidation proceedings

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- he is full and complete knowledge of the actually applicable Daily Shadow Auction Rules, which are published at the website of the Auction Office
- he accepts and submits without any reservation/restriction to these actually applicable Daily Shadow Auction Rules
- there are no court or other proceedings in progress against him that would threaten the fulfilments of the conditions set out in these Daily Shadow Auction Rules
- the representative(s) who sign(s) the daily shadow auction bid have all authorisations by law or from other organisations, based on which they are able to assume the obligations arising out of participation
- he has not any debts outstanding to the concerned TSOs (MAVIR and/or SEPS)

In the case if the Auction Participant does not meet any of the above requirements he shall be excluded from the auction.

### **E)**

#### **Transfer of Reserved Capacities purchased in the course of daily shadow auctions**

Reservations of capacities purchased in the course of daily shadow auctions cannot be transferred.

### **F)**

#### **Exceptional circumstances**

25. Exceptional circumstances shall be serious disturbance to the functioning of the IT System(s) or devices used by the Auction Operator(s)/Auction Office.

Exceptional circumstances may be the reason for changing, cancelling or suspending an Auction. In case of exceptional circumstances, the Auction Operator/Auction Office shall inform all Auction Participants via telephone, fax or e-mail of the cancellation of the relevant auction(s). The TSOs will also publish information on their Auction Websites, if available.

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In cases where auctions are cancelled all Daily shadow auction bids already submitted to the Capacity Auction System are deemed as invalid.

26. During the normal procedure of Market Coupling Daily Shadow Auction process will be cancelled before evaluation of the shadow auction bids. As this is the normal procedure, Rules for Exceptional circumstances do not apply for these cancellations.

**G)**  
**Miscellaneous**

27. Notwithstanding special provisions set out in the Daily Shadow Auction Rules no modification of the Contract between MAVIR and SEPS, a.s. on the one hand and the Auction Participant on the other hand shall take effect unless it is in writing, by fax or e-mail confirmed, executed and delivered by SEPS, a.s. and/or MAVIR.
28. If any part or provision of the Daily Shadow Auction Rules and/or its Annexes are or become invalid, illegal, void and/or unenforceable, the remaining part(s) shall continue to be valid and enforceable and shall not be affected thereby. Any invalid, illegal, void and/or unenforceable part(s) or provision(s) shall be replaced by valid, legal and/or enforceable part(s) or provision(s) in order to achieve the intended economic and legal effect as far as possible.

**H)**  
**Applicable Law, Dispute Resolution and Venue**

29. These Daily Shadow Auction Rules shall be governed by and construed in accordance with the laws of Hungary without recourse to Hungarian private international law as well as by EU law, particularly Directive 2009/72/EC and Regulation 714/2009/EC. For the avoidance of doubt, the application of the UN Convention on the International Sale of Goods shall be excluded.

In the event of any dispute or differences arising from the Daily Shadow Auction Rules and its Annexes or related to its violation, termination or becoming null or void, the parties concerned shall endeavour to reach an amicable settlement. The claimant is obliged to describe and present its claim in detail including the identification of the respective article/paragraph of the Daily Shadow Auction Rules. However, in the event that such a settlement is not reached within thirty (30) days of first notification of the reason for the disputes, then all disputes arising in

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connection with the Daily Shadow Auction Rules shall be resolved by a three-person Arbitral Tribunal appointed in accordance with the rules of arbitration of the United Nations Commission of International Trade Law (Uncitral Rules). All costs and expenses incurred in connection with any arbitral proceedings hereunder shall be borne by the losing party, except as provided otherwise in the arbitral award.

The place of arbitration for all disputes, arising from the auction processes, concerning the daily shadow auctions, shall be the permanent arbitration court of the Hungarian Chamber of Commerce and Industry.

## I) Complaint Procedure

30. Should the Auction Participant come to conclusion that the Daily Shadow Auction Rules have been breached by an incorrect calculation, incorrect output from data check, or incorrect evaluation, the Auction Participant is entitled to initiate through its representative, the KAPAR system User examination procedure. The request must be delivered to the contacts of Auction Office by signed fax message or via registered mail, and must contain:

- date
- identification of Auction Participant
- name, e-mail address and telephone of contact person / User
- brief description of the situation – i.e., the subject matter
- detailed description of the situation
- well-founded means of proof (downloads from logs, communication records, etc.)

The Auction Office will confirm the receipt of such a complaint via e-mail.

If the Parties could not reach an agreement within 10 days the Auction Participant may refer a complaint pursuant to the process described in the Daily Shadow Auction Rules to the relevant national Regulatory Authority according to Article 37, section 11 of the Directive 2009/72/EC. The Auction Participant shall indicate in the complaint the TSO, to whom process the complaint concerns. The national Regulatory Authority of the concerned TSO, acting as dispute settlement authority shall issue a decision after receipt of the complaint within the time frame set forth in the Directive 2009/72/EC.

The TSOs are obliged to give all information to the proceeding Regulatory Authority, which is necessary to handle the complaint in due time.

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The complaint procedure according to Article 37, section 11 of the Directive 2009/72/EC described in this Article does not affect the right of the Auction Participant set forth in Article G.  
Then above described initiative shall not have suspensive impact on the results of the relevant Allocation Process.

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## **Specific Rules for the Daily Shadow Auction of the Reservation of Transmission Capacities on the MAVIR - SEPS, a.s. Transmission Border (“Daily Shadow Auction Rules”)**

The shadow auction of the reservation of the daily ATC at interconnection points from SEPS and MAVIR will be organized and executed electronically by MAVIR in KAPAR system.

The rules and regulations for the daily shadow auctions are principally laid down in these Daily Shadow Auction Rules and specifically in the "KAPAR User's Guide" published on the website of MAVIR [www.mavir.hu](http://www.mavir.hu). All detailed instructions concerning the requirements for participating in the daily shadow auction procedures and the handling of the KAPAR system are laid down in the "KAPAR User's Guide".

By accessing the daily shadow auction the Auction Participant shall be obliged to accept the regulations set out in the Daily Shadow Auction Rules and in the "KAPAR User's Guide" published on the website of MAVIR [www.mavir.hu](http://www.mavir.hu) without any reservation.

If the Auction Participant does not want to submit to the Daily Shadow Auction Rules and the "KAPAR User's Guide" the Auction Participant shall be expressly barred from the access to the daily shadow auctions on SEPS/MAVIR interconnection.

With the entering of a daily shadow auction bid into the daily shadow auction the Auction Participant shall be obliged to pay the Auction Price for the reserved capacity. The Auction Participants shall not be entitled to offset and/or withhold any debts arising in connection with obligations resulting from a shadow auction to any claims of SEPS, a.s. and/or MAVIR, whether or not arising out of a shadow auction.

SEPS, a.s. and MAVIR reserve the right to change operationally a business day regime – i.e. time closures in reasonable cases in accordance with the Daily Shadow Auction Rules especially in case of technical problems.

SEPS and MAVIR reserve the right to amend and/or adapt the Daily Shadow Auction Rules and MAVIR reserve the right to adapt the "KAPAR User's Guide". The actual version of the Daily Shadow Auction Rules is published on the website of MAVIR [www.mavir.hu](http://www.mavir.hu) and on the website of SEPS, a.s. [www.sepsas.sk](http://www.sepsas.sk). The actual version of the "KAPAR User's Guide" will be published on the website of MAVIR [www.mavir.hu](http://www.mavir.hu). In case of amendment and/or adaptation of the Daily Shadow Auction Rules and/or the "KAPAR User's Guide" the above mentioned publication of the documents must happen at least 30 days before the amendments and/or adaptations come

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into force. By accessing the daily shadow auction after the amendments and/or adaptations being published, the Auction Participant submits to the valid version of the Daily Shadow Auction Rules and/or the "KAPAR User's Guide".

Daily shadow auctions will be held every calendar day for the following calendar day (delivery day). First daily shadow auction is held the same day as the first 4M Market Coupling procedure, i.e. one day before the first delivery day.

Separate auctions shall be held for the reservation of capacity in each of both directions.

**KAPAR system**

The KAPAR system is an electronic web-based trade portal operated by MAVIR. The KAPAR system can be download from the website of MAVIR [www.mavir.hu](http://www.mavir.hu). SEPS and/or MAVIR shall not be liable for an uninterrupted provision of the KAPAR system.

All issues concerning the daily shadow auctions, such as, but not limited to, the security, technical and operational issues concerning the KAPAR system and the website of KAPAR system, particularly the "KAPAR User's Guide" are developed by MAVIR. Therefore the execution and the administration of the daily shadow auctions are totally in the responsibility of MAVIR. This means, that MAVIR takes full responsibility for the correct, non-discriminatory and transparent execution of the daily shadow auctions and for the full compliance with applicable national and European laws and/or regulatory requirements.

SEPS and/or MAVIR may suspend, on a preliminary or permanent basis, the internet-based auction system at any time.

If the KAPAR system and/or the website of KAPAR system is interrupted and/or suspended, the shadow allocation of daily available capacities will be cancelled. All relevant users of the KAPAR system will be informed immediately of the interruption and/or suspension of the KAPAR system and/or the website of KAPAR system.

The whole communication with the KAPAR system will be archived. Each message from the KAPAR system is attached by a time stamp, both messages leaving the KAPAR system or messages received by the KAPAR system. The time stamp used is the system time from the KAPAR system.

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In order to participate in the daily shadow auction procedure, the Auction Participants shall fulfil the requirements set out in the Daily Shadow Auction Rules, the "KAPAR User's Guide" and particularly shall have access to the KAPAR system operated on the website in accordance with the rules set out in the "KAPAR User's Guide", which are published on the website of MAVIR [www.mavir.hu](http://www.mavir.hu).

Additionally the Auction Participants have to fulfil the rules set out for the use of reserved capacity.

## Capacities

The daily ATC will be published and offered for reservation for each hour of a day for each transmission direction separately.

ATC values are published in KAPAR system not later than 10:30 AM for the actual daily shadow auction. ATC values will be published on the website of MAVIR ([www.mavir.hu](http://www.mavir.hu)) if and when the first notification is sent to Auction Participants that a Fallback might be announced, thus explicit daily shadow auction bids might be evaluated that day.

## Daily shadow auction bids for the Reservation of Capacity

In order to participate in the daily shadow auction procedure, daily shadow auction bids shall be submitted to the KAPAR system in accordance with the "KAPAR User's Guide" document.

Each registered Auction Participant can deliver his daily shadow auction bids for the shadow auctions held on the actual and/or on any of the next 29 consecutive days.

The earliest time to deliver a daily shadow auction bid is on the day 29 days before a shadow auction, with the exception for the first 29 daily shadow auctions. For the first 29 daily shadow auctions bids can be delivered from the day of the first daily shadow auction.

The latest time to deliver a daily shadow auction bid is the time of the announcement of switch to Fallback for the next delivery day.

Auction Participant must be prepared to pay these bids in addition to other transmission fees.

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The daily shadow auction bids shall be binding until the end of the daily shadow auction and cannot be modified after the announcement of switch to Fallback.

For further consideration each daily shadow auction bid must contain the following unambiguous and legible specifications:

1. Identification of the user,
2. Specification of the profile,
3. Specification of the transmission direction,
4. Day the bid refers to,
5. For each hour of the day the amount of the transmission capacity to be reserved in MW (natural numbers, maximal the published ATC in each hour.)
6. The value of the bid in EUR/MWh (max. two decimals) in each hour - it has to be higher than zero.

Daily shadow auction bids must state the highest Price in EUR/MWh the Auction Participant is willing to pay.

Daily shadow auction bids specifying all the above mentioned data must be submitted, without any reservation, in the form set out in the "KAPAR User's Guide" document.

The Auction participant is entitled to submit up to 10 offers for one profile and one direction, independent from each other.

Daily shadow auction bids, which do not fulfil the above mentioned requirements, will not be considered in the allocation procedure.

After entering the daily shadow auction bids, the Auction Participants receive a confirmation. In case of any failure the entering of the daily shadow auction bids will be refused and the Auction Participant will be informed about the reasons for refusal.

Confirmation receipt of daily shadow auction bids at the KAPAR system is the decisive criterion in meeting the time limit.

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## **Communication of Fallback and modification of Daily shadow auction bids**

During normal operation of 4M Market Coupling, daily shadow auction bids submitted for Daily Shadow Auction will not be evaluated as the shadow auction process is cancelled before evaluation of daily shadow auction bids. In case of technical problem or other unusual situation in the Market Coupling procedure, Auction Participants will receive system message(s) and/or e-mail notification(s) that a switch to Fallback might happen, thus explicit daily shadow auction bids might be evaluated that day. The communication will happen with a timing that gives sufficient time for Auction Participants to modify or submit their bids. These communications are only for notification, not official announcements of Fallback.

In case of switch to Fallback, it will be officially announced to Auction Participants by KAPAR system message and/or e-mail.

Auction Participants can modify their submitted daily shadow auction bids for actual shadow auction any time before the official announcement of switch to Fallback.

## **Daily Shadow Auction Procedure for the Reservation of Capacity**

If switch to Fallback is officially announced, all received daily shadow auction bids for the actual shadow auction are ordered by descending bid price. In case two or more delivered daily shadow auction 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). Daily shadow auction bids are met in that order until a bid exceeds ATC value in sum with all previous accepted daily shadow auction bids.

If the total amount of requested reservation of capacity is smaller than the ATC or equals the ATC, payment for congestion management procedure will amount to zero, i.e. each Auction Participant will receive the reserved capacity according to his daily shadow auction 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 shall be determined by the daily shadow auction bid with the lowest price offer, accepted, even in an reduced amount, by MAVIR in the allocation process of the auctioned reservation of capacities ("Auction Price").

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This Auction Price shall be paid by all Auction Participants receiving a reservation of capacity. All Auction Participants receiving a reservation of capacity shall be deemed to have purchased the reservation of capacity.

The following table, Figure 1, shows an example:

Auction no. 1		Max. Capacity:		100	SK-HU	Date:	10.1.2010	Hour:	1
bidder	amount	bid	time stamp	total					
	MW	EUR/MWh	hh:mm:ss	MW					
				0					<b>auctioned</b>
a	10	1 000	09:10:03	10					10 MW
b	20	300	09:15:27	30					20 MW
c	50	250	09:02:14	80					50 MW
b	30	200	09:05:52	110	<i>reduced</i>				20 MW
a	50	200	09:17:08	160	<i>exceeded</i>				0 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>	Gate closure			

Figure 1: Daily Shadow Auctioning

In this example, the charge for auctioned daily reservation is determined at 200 EUR/MWh. 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, "c" receives a total of 50 MW and has to pay 10000 EUR.

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.

### Publication and Notification of the Results of an Auction

MAVIR will publish the final results of the daily shadow auction procedure on a daily basis not later than 12:45 PM CET (10:40 in case of Early Decoupling if ATC was published) of the day of the auction in the system "KAPAR" as follows:

- Date and Period of reservation,
- Specification of profile and direction,
- Amount of reserved transmission capacity for the Auction Participant for each hour in MW,
- Value of payment for the purchased reservation of capacity for each hour in EUR/MWh,

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- e) Capacity Agreement Identification (CAI) assigned to Allocated Capacity.

Summary results (for each hour and direction total requested capacity, total allocated capacity and Auction Price) will be published on the website of MAVIR [www.mavir.hu](http://www.mavir.hu) not later than 12:45 PM CET (10:40 in case of Early Decoupling if ATC was published) of the day of the auction.

### **Use of Reserved Capacity**

General grid access for the use of reserved (purchased) capacity is not covered by the scope of the Daily Shadow Auction Rules unless otherwise stipulated in the following provisions.

SEPS, a.s. and MAVIR will carry out the transmission services according to the respective auction results in compliance with the legal requirements of grid access in each control area, possible electricity import bans and applicable market rules of SEPS, a.s. and MAVIR.

Upon reservation of capacity in the course of a daily shadow auction, SEPS, a.s. and MAVIR commit themselves to ensure that the reserved capacity is operationally feasible for the Auction Participant solely at the Interconnection with the exception of Emergency Situation.

Details about Curtailment procedure including financial issues are described in Annex 1.

The use of the reserved transmission capacities in compliance with the requirements stated in the Daily Shadow Auction Rules takes place by delivery of fixed schedules to MAVIR and SEPS, a.s. in accordance with individual national market rules valid at the time of delivery. The "m:n" system (cross-nomination) which enables to nominate in parallel on one border several schedules with several counterparties using the rights with the same CAI, applies. Using of Capacity Agreement Identification within schedule document is obligatory.

The schedules for the following day must be received by:

SEPS, a.s. before 2.30 PM CET.

MAVIR defined by the respective regulation of the valid Code of Commerce of the Hungarian Electric Power System.

MAVIR and SEPS, a.s. compare and match delivered individual fixed schedules. In case of a mismatch modifications of schedules are allowed during the correction cycle. Modified schedules must have been received by

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MAVIR and SEPS, a.s. until 15:30 CET on the day of the shadow auction. After this deadline modifications are no longer allowed.

The use of reserved transmission capacities from daily shadow auction process is based on the principle “use it or lose it”. This means that reserved transmission capacities which are not used by fixed schedules will irrevocably fall back to the MAVIR and SEPS, a.s. This will take place with immediate effect after the fixed schedules were confirmed by MAVIR and SEPS, a.s. and to the extent the reserved transmission capacities were not used. In this case no compensation in whatever form may be claimed.

The physical electricity transmission capacity which was not allocated in the daily shadow auction process and the physical electricity transmission capacity released because reserved transmission capacities allocated in a daily shadow auction process fell back to MAVIR and SEPS, a.s. may be further used by MAVIR and SEPS, a.s.

The Reserved Capacity may only be used by market participants, including the Auction Participant, if the market participant(s) fulfil(s) the prerequisites for transmission network use for MAVIR and SEPS, a.s. Prerequisites may be fulfilled either by one market participant in MAVIR and SEPS, a.s. or by two market participants (one will fulfil prerequisites of MAVIR, other will fulfil prerequisites of SEPS, a.s.).

The unconditional prerequisites for using the electricity transmission network of SEPS, a.s.: a valid and effective *Framework Agreement on Electricity Transmission through Connecting Lines* concluded with SEPS, a.s., *Agreement on Settlement of imbalances* concluded with OKTE, a.s.

The unconditional prerequisites for using the electricity transmission network of MAVIR: A valid and effective system usage contract with MAVIR and a valid and effective balancing contract signed with MAVIR (Auction Participant has to be recognized as Balance responsible party) or signed and effective balance membership contract with a Balance responsible party in Hungary.

The payment determined in the shadow auction covers only the right for reservation of the capacity at the bottleneck.

### **Assignment (Transfer) of Reserved Capacities**

Reservation of capacities purchased in the course of daily shadow auctions cannot be transferred to other market participants.

### **Accounting, Loosing of Allocated Capacity and Exclusion of Participating in Daily Shadow Auction Procedures**

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The payment and accounting of the Auction Price will be handled by MAVIR. The results of the daily shadow auctions are settled financially on a monthly basis. MAVIR will issue invoice till 3 working days after the respective month period. MAVIR will send the issued invoice to the Auction Participant by post and a copy by fax. The Auction participant shall credit the invoiced payment to MAVIR onto its account stated on the invoice. The invoice will be mature within 8 calendar days of its issue date.

According to the European and Hungarian tax law value added tax will be charged to the payment and will be shown separately on the invoice. In case the Auction Participant declares its VAT registration in EU Member State the method of the "Reverse charge taxation" that EU enforced, is applied. In this mode the Auction Participant must provide MAVIR with its European VAT Number and is obliged to settle the VAT with the respective national tax office. MAVIR is entitled to make adjustments of the payment due to increases or introduction of taxes, duties, etc.

All bank fees have to be paid by the Auction Participant. The date of payment is the date upon which the given amount is credited to the stated account of the MAVIR. Invoices have to be paid not later than on the maturity date stated on the invoice, free of charge and without deduction and/or offsetting (receipt of payment at the account of the MAVIR). If such a time limit expires on a public holiday, Saturday or Sunday, payment is due on the following working day.

In case of delayed payment MAVIR is entitled to charge default rates on a due amount for each commenced day of the delay. The interest on late payment shall be calculated as the sum of the central bank base rate in effect on the first day of the calendar half-year affected by the default - if the monetary claim is to be satisfied in a foreign currency, to which it pertains, or - if the monetary debt is to be satisfied in a foreign currency, the base rate of the issuing central bank, or failing this the money market rate - plus eight percentage points (for 360-day accounting year). For the purposes of calculating the interest, the central bank base rate in effect on the first day of the calendar half-year affected shall apply for the entire period of the given calendar half-year. The central bank base rates are specified and published (<http://www.ecb.europa.eu/>) by the European Central Bank.

The defaulting Party shall be obliged to pay a fixed sum of EUR 40 where interest for late payment becomes payable. This amount is a fair compensation of credit for the internal administrative costs incurred (based on the Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011).

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If the payment of summary invoice is not settled on the last day of the following month of the month of performance of daily shadow auctions SEPS and MAVIR will enforce the completion of the Contract and the Auction Participant loses his reserved capacity bought by auction and shall be liable pursuant to the General Provisions set out in chapter B) of these Daily Shadow Auction Rules.

**Address**

**Auction Office Address**

- Operated by MAVIR via KAPAR system

**KAPAR Operators:**

E-mail: published on the website of MAVIR  
Tel: published on the website of MAVIR  
Fax: published on the website of MAVIR

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## **Annex 1 to DAILY SHADOW AUCTION RULES**

### **Detailed rules of Curtailment**

The Allocated Capacity or Used Capacity can be curtailed in case of an Emergency Situation.

In cases of capacity Curtailment following priority order is used:

1. Capacity allocated in daily Shadow Auction – in case Curtailment is announced before gate closure for sending of nominations using the capacity allocated in daily Shadow Auction
2. Capacity used by submitting of nominations of cross-border transmission (after the cut-off time for the matching process) (i.e. Used Capacity). In this case Curtailment is announced after gate closure for sending of nominations using the capacity allocated in daily Shadow Auction

After the cut-off time for the matching process, the Curtailment of the submitted schedules shall be implemented pursuant to the proceedings set forth in the relevant laws, and shall only be used in Emergency Situations. In case of a foreseeable event (for example a long-term drought) the Curtailment of submitted schedules should not be used. If such cases occur, the correct procedure for curtailment has to be only the Curtailment of Allocated Capacities and/or temporary postponement or cancellation of the Daily- and/or Intraday Allocation Process.

Within each of the above listed groups of Capacities there will be used proportional curtailment of capacity.

Auction Participants whose Allocated Capacity was curtailed, shall be compensated as follows:

### **Compensation for Capacity Curtailment**

Compensation price for Curtailment of the Allocated Capacity for given hour and direction is determined in compliance with following procedure:

PriceD = Auction Price (Hour, Daily Shadow Auction, Direction)

In the case of Curtailment of the Allocated Capacity each Auction Participant whose Allocated Capacity have been curtailed shall be compensated by PriceD (for capacity gained in the daily Shadow Auction) for each MWh of the Capacity which have not been available.

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TSO, which requested Curtailment, shall issue a description of reasons and effects of curtailment for solving network or system problems which will be published by both TSOs.

MAVIR shall inform immediately each Auction Participant whose Allocated Capacity is curtailed about such case and by the 5<sup>th</sup> calendar day of the following month MAVIR shall notify him the evaluation of compensation amount.

MAVIR shall pay the compensation in an evaluated and notified amount to Auction Participant based on an invoice.

SEPS and MAVIR shall inform immediately each Auction Participant whose Used Capacity is curtailed about such case. SEPS and MAVIR shall pay the compensation in amount evaluated individually taking into account national rules to Auction Participant.

In the case of Force Majeure the Auction Participant has right to be compensated by PriceD (for capacity gained in the daily Shadow Auction) for each MW and each hour of the Capacity which have not been available.

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## ANNEX 2 To DAILY SHADOW AUCTION RULES

### Registration form (SAMPLE) for participation in cross-border auctions managed by MAVIR

<b>Company:</b>	
- EIC-Code	
<b>Name of representative:</b>	
<b>Domicile:</b>	
<b>Place of management making fundamental decisions:</b>	
<b>Main place of performance:</b>	
<b>Correspondence address:</b>	
<b>Commercial/company register No.:</b>	
<b>VAT No.:</b>	
<b>EU VAT No.:</b>	
<b>Bank:</b>	
<b>Bank account number: (IBAN)</b>	EUR:
<b>Balance Responsible Party:</b>	
- BRP name	
- EIC-Code	
<b>Contact person:</b>	
Name:	
Telephone:	
Fax:	
E-mail:	

*Comment: All rows of the table is obligatory to fill in!*

In case the above mentioned company does not have an EU VAT number, as its domicile country is not an EU member, it is eligible to send with the filled in Registration form the certificate of residence, issued by the national tax authority to MAVIR ZRt. In this case, the registration will only be valid with certificate of residence.

With the delivery of this validly-signed Registration Form, the company identified in table above (hereinafter Auction Participant) declares that it has full and complete knowledge of the valid Auction Rules regarding the cross-border sections specified in *Attachment 1.* of this registration Form., which are published at the website of the MAVIR ZRt. ([www.mavir.hu](http://www.mavir.hu)), and that it accepts them in a manner legally binding and irrevocable. As even so fulfilling the general requirements for participating in auction procedures on the specified cross-border section.

Auction Participant accepts that auctions managed by MAVIR ZRt. are held in KAPAR system, and accordingly the results of the auctions and the specification of the obtained capacity allocation rights are also communicated within the KAPAR system. Therefore accession to the KAPAR system is an essential requirement for participating in auction procedures. Accession to KAPAR system shall be requested and modified by downloading from MAVIR Hungarian Independent Transmission Operator Company web-page and sending to KAPAR Operator the "User setup/modification request form" which is an attachment of KAPAR Operation Rules.

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Confirmation of the Registration Form by MAVIR ZRt. proceeding to the undersigning of the Registration Form by the Auction Participant constitutes a contract concluded between MAVIR ZRt. and Auction Participant in the subject of participation in the capacity auction managed by MAVIR ZRt. regarding the specified cross-border section according to *Attachment 1*. Term sheet of the contract as well as the rights and duties of the parties are defined in the Auction Rules of the auctions of the specified cross border section's capacities, and in the respective chapter of the Business Code of MAVIR about the cross-border capacity usage agreement. The Auction Rules is an attachment of the prevailing Commercial Code of the Hungarian Electricity System.

The above contract comes into force on the date of the registering of the Auction Participant by MAVIR. MAVIR ZRt. registers the Auction Participant concurrently with the confirmation of the registration. This registration entitles the Auction Participant to take part in Cross-border Capacity Auctions managed by MAVIR ZRt. regarding the cross-border section(s) specified in *Attachment 1*. from the date of registration. Registration is valid until recall by MAVIR. Recall of registration automatically terminates the contract.

In case of rejection MAVIR Hungarian Independent Transmission Operator Company is obliged to notify the applicant (Auction Participant) in writing with the explanation of the decision.

The Auction Participant is obliged to inform the MAVIR Hungarian Independent Transmission Operator Company forthwith of any changes in data requested to fill out in the registration form and of any changes in its adequacy to the requirements of participation in auctioning process regarding the specified cross-border section.

The Auction Entity declares that the Registration Form contains complete and true information.

Date:

**Signature of Auction Participant**

.....  
 (Name)  
 (Title)  
 (Seal)

MAVIR Hungarian Independent Transmission Operator Company, as the Operator of Auctions approves the above-mentioned registration form, and registers the contract concluded herewith between MAVIR ZRt. and Auction Participant under registration number: ...../20.....-HKL\_AKS

Date:

**MAVIR Hungarian Independent  
 Transmission Operator Company Ltd.**  
 (Seal)

..... (Name)  
 (Title) ..... (Name)  
 (Title)

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Attachment 1.

**Declaration for participation in cross-border auctions managed by MAVIR**

<b>Cross-border section:</b>	<b>Yearly/Monthly auction</b>	<b>Daily auction</b>	<b>Shadow auction</b>
↑.....- Hungary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
↑.....- Hungary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
↑.....- Hungary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
↑.....- Hungary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>MAVIR identification<sup>1</sup>:</b>	<b>.....-HKL</b>	<b>.....-HKL-N</b>	<b>.....-HKL-S</b>

*Comment: The relevant auction type must be marked.*

With registration to the Yearly/Monthly auction the Auction Participant entitles to the managing of the long term capacity right transfer, checking results of the transfers and notification according to results of the transfers organized in KAPAR system.

Date:

**Signature of Auction Participant**

.....  
 (Name)  
 (Title)  
 (Seal)

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<sup>1</sup>The grey parts will be filled in by MAVIR

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