

Annex 3: CZ-SK Shadow Allocation Rules

Version:	-
Applicability:	Unlimited, unless replaced by updated rules.

Daily Shadow Auction Rules for the Reservation of Capacities with respect to the ČEPS - SEPS Transmission Interconnection (hereinafter referred to only as "CZ-SK Rules")

Definitions

Auction Price - the price in EUR/MW to be paid by an Auction Participant for the allocated capacity.

ATC - Available Transmission Capacity offered within the daily shadow auction process.

ČEPS – ČEPS, a.s. with the registered office at Elektrárnská 774/2, 101 52 Prague 10, Czech Republic

EIC-Code - Identification code making it possible to clearly identify electricity market participants within the member countries of ENTSO-E (European Network of Transmission System Operators for Electricity).

D – business day for which capacity is allocated

e-Portal – ČEPS's software used to organize and arrange shadow auctions

Curtailement – reduction of the daily allocated capacity as per these CZ-SK Rules.

Bid – an offer by an Auction Participant to purchase capacity submitted in compliance with these CZ-SK Rules. A bid consists of two values: Capacity in MW and a Bid Price in Eur/MW.

Bid Price – the highest price in EUR which an Auction Participant is willing to pay for 1 MW.

EU Regulation – Regulation No. 714/2009 of the European Parliament and the Council (EC) of 13 July 2009 on conditions for access to the network for cross-border trade in electricity and repealing of Regulation (EC) No. 1228/2003.

Working Day – Calendar day except for Saturdays, Sundays and public and other holidays within the meaning of act No. 245/2000 Coll. on other holidays, significant dates and public holidays as amended.

Market Coupling - implicit capacity allocation on the CZ-SK border within 4M Market Coupling procedure in the Czech-Slovak-Hungarian-Romanian trading area

Allocated Capacity - Transmission Capacity allocated pursuant to the CZ-SK Rules within the shadow auction.

Decoupling – a situation whereby it is not possible to allocate available transmission capacity via the standard Market Coupling procedure for a specific day.

SEPS – Slovenská elektrizačná prenosová sústava, a.s., a company with a registered office at Mlynské nivy 59/A, 824 84 Bratislava 26, Slovak Republic

Shadow Auction – a solution applied in the case of Decoupling whereby ATC is allocated to the CZ-SK profile on the daily basis in the form of an explicit auction

Auction Participant – a person or an entity taking part in daily shadow auctions and adhering to CZ-SK Rules

I. Article

General Shadow Auction Rules at the ČEPS – SEPS Interconnection

In the event of Decoupling, a daily explicit auction of transmission capacity will take place as a fallback solution for allocation of cross-border capacity on the CZ-SK profile in compliance with these CZ-SK Rules, i.e. transmission capacity will be allocated by the means of this Shadow Auction. CZ-SK Rules are defined in compliance with the respective European and national legal regulations, especially with the EU Regulation.

A Shadow Auction is organized every calendar day for the calendar day that follows (delivery day) by the ČEPS company along with the Market Coupling, however, its evaluation will take place only in the case of Decoupling.

SEPS will fully accept the results of individual Shadow Auctions organized by ČEPS pursuant to these CZ-SK Rules.

Exceptional circumstances, i.e. a serious failure of the IT systems or equipment used for Shadow Auctions, may be the reason for changing, cancelling or suspending an auction. In case exceptional circumstances occur, ČEPS shall inform the Auction Participants about them by e-mail. At the same time, this information shall be publicly announced on e-Portal's notice board. In case a Shadow Auction is cancelled due to exceptional circumstances, all of the already submitted bids shall be deemed invalid.

Each event of allocated capacity within a daily Shadow Auction is a separate arrangement of an agreement on reservation of daily capacity between ČEPS on one hand and the Auction Participant on the other (hereinafter referred to only as the "Contract"). By reserving capacity, the Auction Participant undertakes to pay the Auction Price in compliance with these CZ-SK Rules.

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 these CZ-SK Rules, ČEPS shall be entitled either to enforce the fulfilment of the Contract, while the Auction Participant shall be obliged to pay the Auction Price, interests, charges and other expenses including attorney's fees, arising from the enforcing of the fulfilment of the Contract, or to withdraw from the Contract in which case the Auction Participant shall be obliged to pay to ČEPS the damages resulting from the withdrawal from the Contract.

ČEPS, in synergy with SEPS, reserves the right to change, in justified cases, time closures within the business day, especially in case of technical problems. Auction Participants shall be informed of such changes by e-mail.

The Auction Participants, in order to be able to take part in the daily Shadow Auctions, must meet the requirements set forth herein and, at the same time, in the document called "E-Portal Operation Rules" which is made publicly available on ČEPS's website (www.ceps.cz). Unless an Auction Participant adheres to these CZ-SK Rules, ČEPS is entitled to forbid to it to take part in the daily Shadow Auction for the period of up to 12 months following the introduction of such a ban. An Auction Participant is obliged to get registered for access to e-Portal by delivering a registration form which is made publicly available on ČEPS's website. After having checked the registration form, ČEPS informs the Auction Participant about its being registered or, in case of defects, ČEPS requests a new registration form to be delivered. Auction Participants must also meet the rules applicable to the utilization of the allocated capacity.

II. Article

Publication of ATC

ČEPS and SEPS shall determine ATC in a transparent and non-discriminatory manner. Daily ATC is published by ČEPS via e-Portal at 10:30 D-1 at the latest.

III. Article

Daily Shadow Auction Bids

Bids are entered into e-Portal. The detailed description of the principle governing the submission of Bids is described in the document called "e-Portal Operation Rules".

Each Auction Participant may enter a Bid into the daily Shadow Auction for days D up to D+29. It is possible to submit 10 Bids as a maximum for one direction of the interconnection and one business day.

Each Bid for the daily Shadow Auction must include:

- Identification of the market participant
- Specification of the interconnection direction
- Business Day
- For each business hour of the day, the required capacity in MW (with accuracy to MW - natural numbers)
- Price in EUR/MW (with accuracy to maximum two decimals)

After having entered the Bid, the Auction Participant shall receive a confirmation that the Bid was accepted. In the event of an erroneous entry, the Bid shall be rejected and the Auction Participant shall be informed about the reason of rejection. The Auction Participant is entitled to change the entered Bids until the closure - the deadline for entering Bids into daily Shadow Auctions. For the D Day, the closure takes place at 12:35 of D-1. Any change in the Bid also represents a change in the time stamp of its receipt. After the closure of the entering of the Bids into daily Shadow Auctions, it is not possible to enter new Bids or to adjust the existing ones in any way.

IV. Article

Evaluation of Daily Shadow Auctions

In the course of the standard operation of the Market Coupling, Bids for the daily Shadow Auction will not be evaluated.

Auction Participants will be informed about technical problems or other extraordinary situations that have occurred within the Market Coupling by electricity market operators before the Decoupling is announced.

If necessary, the Decoupling will be announced by ČEPS and the evaluation of the daily Shadow Auction will take place. Auction Participants will be informed about Decoupling by the means of a message on e-Portal's notice board and via e-mail.

After the closure for entering Bids into the daily Shadow Auction, all received Bids are put into the order based on the prices in order to be evaluated. In case there are two or more Bids with the same Bid Price, the decisive criterion shall be the time stamp marking the time when each Bid was received.

Bids for the daily Shadow Auction are accepted in this order until ATC is depleted. The last accepted Bid may be curtailed in order not to exceed ATC.

If the total quantity of the capacity required by the Auction Participants is lower or equal to daily ATC, the Auction Price is zero and each received Bid will be accepted.

If the total quantity of the required capacity is higher than daily ATC, the Auction Price shall be determined based on the accepted Bid with the lowest Bid Price (the Auction Price). This Auction Price shall be paid by all Auction Participants who received capacity within the daily Shadow Auction.

ČEPS shall publish, in e-Portal, the results of daily Shadow Auctions for the individual Auction Participants by 12:45 D-1 at the latest.

The declared results shall contain the following information:

- Business Day
- Specification of the interconnection direction
- Quantity of allocated capacity for each business hour in MW
- Prize for the allocated capacity for each business hour in EUR/MW
- Identification number of the capacity right (CAI)

By announcing the result of the auction, the Auction Participant will receive the allocated capacity in compliance with the declared results of the Shadow Auction with the exception of force majeure and the curtailment of allocated capacity. ČEPS and SEPS guarantee the allocated capacity. Based on the declared results of the daily Shadow Auction, the Auction Participant is obliged to pay the Auction Price for the allocated capacity.

It is not possible to transfer the allocated capacity obtained in the course of daily Shadow Auctions.

V. Article

Utilization of Allocated Capacity

The Auction Participant and its counterparty on the other side of the border must, as an inevitable prerequisite for the utilization of the Allocated Capacity, conclude a contract on cross-border transmission with the respective operators of transmission systems. On ČEPS's side, the arrangement of cross-border transmission of electricity using the Allocated Capacity takes place based on a Framework Contract on cross-border electricity transmission by the means of the Czech transmission system. On SEPS's side, the arrangement of cross-border transmission of electricity using the Allocated Capacity takes place based on the Framework Agreement on Electricity Transmission through Connecting Lines.

The capacity is allocated based on the "Use It or Lose It" principle. Unless it is used by agreeing cross-border transmission by 14:30 D-1 in compliance with the previous paragraph, it is returned back without any compensation and then, depending on the current operational situation, offered by ČEPS and SEPS in next stages of allocation of cross-border capacities.

VI. Article

Settlement of Daily Shadow Auctions

Settlement and issuing of tax documents will be performed by ČEPS by the means of a single tax document for all allocated capacity in the previous month within 5 calendar days after the previous month ends. Invoicing is made only for those calendar months in which capacity is allocated to an Auction Participant.

Prices for allocated capacity are set out before VAT. VAT will be settled in compliance with the existing EU legislation. The VAT rate will be invoiced at the amount determined by act No. 235/2004 Coll., on value added tax (hereinafter referred to only as the "VAT act") as amended, in the version valid on the day when the obligation to file a tax return originated.

The day of realization of a taxable supply shall be determined to be, in compliance with the VAT act, the last calendar day of the month for which the settlement is made.

Rounding of VAT on the tax document is governed by the VAT act.

The invoiced amount will be paid by the means of a cashless transfer of the respective amount in EUR to the following account:

107-0091100217/0100 (IBAN CZ8 0100 0001 0700 9110 0217).

The due date of the tax document is 10 (ten) calendar days of the day of its delivery. The invoiced amount is paid as at the moment when the outstanding payment is credited to the account of the authorized Contractual Party.

Tax documents are issued in compliance with the VAT act and must have the requirements of a tax document as per the VAT act with the following additional items:

- a. signature of an authorized person and a stamp of the contractual party,
- b. number of the bank account of the invoicing contractual party which must be identical with the number of the bank account set out in the CZ-SK Rules and, at the same time, it must be made public by the tax administrator as per the VAT act or announced in writing with the signature of the authorized person and delivered to the other contractual party, together with the delivery of the tax document at the latest, and, at the same time, it must be made public by the tax administrator as per the VAT act.

The handover of tax documents will take place in the electronic form, the tax document, in the form of a pdf document with all requirements as per items a) and b) of this Article or a tax document in the form of a pdf document with a guaranteed electronic signature. Each tax document with its appendix forms a single document in the pdf format.

Tax documents will be sent by ČEPS from the following e-mail address: faktury@ceps.cz.

Tax documents will be sent by the Auction Participant from the e-mail address defined in its registration form.

The Auction Participant is entitled to return the tax document before the due date without paying it provided that the tax document does not have all the obligatory requirements in compliance with the acts on VAT of the CR and with the CZ-SK Rules or provided that it has other defects as far as its contents are concerned, while the reason for returning it must be stated. ČEPS is obliged, according to the nature of the defects to correct the tax document or to prepare a new one. By the justified return of

the tax document, the original maturity period ceases to run. The new maturity period runs again as from the day when the corrected or newly prepared tax document is delivered to the Auction Participant.

If the due date of the tax document falls on a Saturday, Sunday or a public holiday, the due date shall be the nearest following Working Day.

If an Auction Participant becomes an unreliable payer based on a decision as per Art 106a of the VAT act, it shall be obliged to inform ČEPS about this fact immediately, however, by the next working day of the day when this decision becomes legally effective at the latest. Together with the announcement made in writing as per this item, the Auction Participant shall send the announcement also electronically to the following e-mail address: faktury@ceps.cz.

If an Auction Participant is, as at the day when a taxable supply is made, kept on files as an unreliable payer or if an Auction Participant becomes an unreliable payer before the tax document issued by ČEPS is paid, as per this Article, or in case of any doubts, if the Auction Participant is an unreliable payer as per the VAT act, the recipient of the taxable supply shall be entitled to pay part of the financial supply as per the tax document equal to the VAT directly to the account of the respective tax administrator, in compliance with the provision of Article 109a of the VAT act. The financial supply shall be decreased by this part as per the tax document.

VII. Article

Contractual Default Interest

In the case of default of payment, an obligation originates to pay default interest on the outstanding amount including the VAT in the fixed amount (3M EURIBOR + 2 % p.a.) the amount of which shall be determined always on the first working day of each calendar month of the year with the validity for the period of the respective calendar month.

A default of payment of the tax document is not the case provided that, on the last day of its maturity at the latest, the payment was credited to ČEPS's account.

The default interest, within the meaning of provisions of this Article, shall be payable within 21 (twenty-one) days of the day of the delivery of the tax document together with its settlement to the Auction Participant.

VIII. Article

Complaint/Compensation for Loss

Complaints concerning Shadow Auctions shall be delivered exclusively in a written form and must contain, in addition to the description of the subject matter of the complaints also groundwork materials proving the subject matter of the complaint.

Neither ČEPS nor SEPS is liable for loss in cases stipulated by generally binding legal regulations, especially in cases whereby the failure to adhere to the respective obligation is caused by the existence of circumstances excluding liability. A circumstance excluding liability is considered to be such an extraordinary and inadvertent event which occurred independently of the will of the liable party and that prevents it from complying with these CZ-SK Rules if it is not possible to reasonably assume that such an obstacle or its consequences would be prevented or overcome by such a party.

ČEPS and the Auction Participant shall mutually inform themselves immediately in writing about the occurrence of any of the circumstances excluding liability.

From the scope of the compensation for any damages originated as a result of one or more breaches of obligations stipulated by these CZ-SK Rules, loss of profit is excluded with the exception of such obligations being breached wilfully or by gross negligence.

ČEPS shall not be liable for the transmission of data electronically between the Auction Participant and the ČEPS's server on which the E-Portal application is operated. If, due to any defects in the transmission of data between an Auction Participant's equipment and ČEPS's server, the Contract failed to be agreed, such a situation is not a basis for any right to claim compensation for loss or any other supplies to be made to the Auction Participant and/or another third party.

IX. Article

Curtailment of Capacities

In case of unexpected conditions in the grid or rather in case of a breakdown, the allocated capacities for D Day may be curtailed to all Auction Participants in the same proportion.

ČEPS, in synergy with SEPS, shall inform Auction Participants about the curtailment of capacities without any delay by e-mail.

In case of a curtailment of the allocated capacity, the Auction Participant shall receive compensation in a form of the price for each MW and each hour of capacity that was the subject matter of curtailment. The compensation price is, in case of curtailment of the allocated capacity, equal to the Auction Price for the given hour and direction of the interconnection.

ČEPS will inform the Auction Participant about the amount of the compensation payment.

ČEPS will pay to the Auction Participant a compensation based on an invoice sent to ČEPS.

In the event of force majeure, the Auction Participant shall have no right to receive compensation.

X. Article

Other Provisions

CZ-SK Rules are made public on the website of both ČEPS and SEPS (www.sepsas.sk). CZ-SK Rules may be continuously and unilaterally updated by ČEPS in synergy with SEPS. ČEPS and SEPS inform Auction Participants about changes by the means of electronic communication at least 30 calendar days before their planned effective date. An Auction Participant has the right not to accept changes and, in such a case, the Auction Participant has the right to withdraw from these CZ-SK Rules within 15 calendar days of the delivery of the information mentioned in the above sentence. By withdrawing within this meaning, the previously concluded individual Contracts will not be affected as far as their validity and efficiency are concerned. In case that the Auction Participant fails to use this right to withdraw, these new CZ-SK Rules shall be considered accepted by the Auction Participant as at the date on which they become effective and, as such, they shall become binding for the Auction Participant.

ČEPS Contact Persons for the purposes of securing Shadow Auctions:

a) For contractual and commercial matters:

Martin Palkovský	Tel:+420/211044775	Fax:+420/211044401	e-mail:palkovsky@ceps.cz
Petra Vršitá	Tel:+420/211044844	Fax:+420/211044401	e-mail:vrsita@ceps.cz
Vladislav Kalaš	Tel:+420/211044502	Fax:+420/211044401	e-mail:kalas@ceps.cz

b) For e- Portal operational matters – CEPS Operators

Telephone:	0042 211 044 507	Working days 7:30 - 17:00
Mobile telephone:	0042 724 601 301	24/7
Fax:	0042 211 044 545	
E-mail:	helpdesk.trade@ceps.cz	

These CZ-SK Rules shall come into force on the date when they are published and shall become effective for the business day of 1 February 2018.