

1st July 2009

**Rules for coordinated auctions
of transmission capacity
at the common borders of**

ČEPS, a.s.

transpower stromübertragungs gmbh

PSE-Operator S.A.

Slovenská elektrizačná prenosová sústava, a.s.

Vattenfall Europe Transmission GmbH

for the year 2009

(hereinafter *Auction Rules*)

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Definitions

Terms used herein shall have the following meanings unless otherwise defined.

Allocated Capacity – The *Promise of Capacity* notified to *Auction Participants* in yearly or monthly *Auctions* becomes *Allocated Capacity* when fulfilling the payment conditions stated in the *Section 9*. In case of daily *Auctions* the *Auction Office* notifies the *Auction Participants* directly of their *Allocated Capacity*. *Allocated Capacity* is guaranteed by both neighbouring TSOs, vis-à-vis *Auction Office*, in accordance with these *Auction Rules*.

Announcement of Auction Capacities – document published on the *Auction Office* website specifying offered *Capacities*, period of reservation, and any additional information necessary for the *Auction* process (especially it concerns time periods during which the capacity will be reduced and/or restrictions imposed by Regulatory and/or Competition Authorities on account of market dominance).

Auction – congestion management mechanism adopted by TSOs in order to allocate the available *Capacities*.

Auction Entity – a person and/or an entity registering *Auction Participants* at the *Auction Office*. The *Auction Entity* bears the full guarantee for obligations resulting from the participation of its *Auction Participants* in the coordinated auction procedure.

Auction ePortal – an electronic web-based trade portal operated by the *Auction Office* available at <http://www.e-trace.biz>. Daily, monthly and yearly *Auctions* and other services provided by the *Auction Office* are carried out through the *Auction ePortal*.

Auction Office – stands for CEPS (in its function as the *Auction Office*). CEPS will be subject to all rights and responsibilities attributed to the *Auction Office*.

Auction Participant – is the representation of *Auction Entity* identified with a unique EIC Code, registered by the *Auction Entity* at the *Auction Office* in accordance with Article 3.1. *EIC Codes* are issued by local issuers and published on <http://www.etsonet.org/activities/edi/eic/cds/area.htm>.

Auction Price – the price in EUR determined for *Commercial Profile* and direction in accordance with Section 4, to be paid by each *Auction Participant* for each MW of *Promise of Capacity*.

Bid – a request of *Capacity* reservation (*Bid Amount*) at the specified price (*Bid Price*) submitted for the given *Commercial Profile* and direction.

Bid Amount – the requested amount of *Capacity* reservation in MW (integral part of a *Bid*).

Bid Price – the price in EUR which *Auction Participant* is willing to pay for 1MW of *Capacity*. In addition to this *Bid Price* he must be prepared to pay other transmission fees, if applicable, separately in each *Control Area*.

Bid Sheet – a form with the unambiguous and legible specifications stated in Attachment A and Attachment B of Annex 9 for submitting *Bids* to the *Auction Office* in case of alternative yearly and monthly auction procedure. The form shall be filled in with capital letters.

Capacity – cross-border transmission capacity in MW.

ČEPS, a.s. (“CEPS”) – with registered office at 101 52 Praha 10, Elektrarenska 774/2, Czech Republic, and incorporated in the Commercial Register kept by the Municipal Court in Prague, Section B, Entry 5597, with the Company Identification No. 25702556.

Congestion – means a situation in which an interconnection linking national transmission network, cannot accommodate all physical flows resulting from cross-border trade requested by market participants because of a lack of capacity of the interconnectors and/or the national transmission systems concerned.

Control Area – a coherent part of the interconnected system operated by a single TSO.

Commercial Profile – an *Interconnection* linking two bordering national transmission systems. Bids are placed and cross-border exchange is nominated to *Commercial Profile*.

Credit Limit – the sum of all *Auction Entity*'s guarantees in EUR, which can be used to ensure and/or cover its expected liabilities resulting from participating in the *Auctions*.

Directive 2003/54/EC – the English version of Directive 2003/54/EC of the European parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity, valid on the day of issuing the *Auction Rules*.

EIC-Code – ETSO identification code serving to clear the identification of entities in a cross-border trade (see <http://www.etso-net.org/activities/edi/eic/cds/area.htm>)

Emergency Situation – conditions and/or events and/or circumstances which in the professional assessment of CEPS and/or TPS and/or PSE-O and/or SEPS, a.s. and/or VE-T put under risk the security of supply, provision or transmission of electricity in, or the technical safety of a given national transmission system or its significant part.

ETSO – European Transmission System Operators – association of TSOs (see <http://www.etso-net.org>)

Force Majeure – conditions and/or events and/or circumstances which, or the results of which, are beyond the reasonable control of CEPS and/or TPS and/or PSE-O and/or SEPS, a.s. and/or VE-T, and which cannot be prevented or overcome with reasonable foresight and diligence, such as but not limited to international superimposed loop flows, atmospheric phenomena considered irresistible due to their cause or on account of their size or duration, unexpected or irresistible generation capacity outages or limitations, if CEPS and/or TPS and/or PSE-O and/or SEPS, a.s. and/or VE-T are only able to counteract them by endangering the security of supply, and/or which cannot be solved by measures which are from a technical, financial and/or economic point of view reasonably possible for CEPS and/or TPS and/or PSE-O and/or SEPS, a.s. and/or VE-T.

Implicit Auction – mechanism that integrates *Capacity* allocation and electricity trading on a day-ahead basis on CEPS – SEPS, a.s. *Commercial Profile*, that should be adopted during the second half of the year 2009 and will be carried out according to the separate rules.

Interconnector - transmission line which crosses or spans a border between Member States and which connects the national transmission systems of the Member States operated by individual TSO.

Interconnection or Interconnections – a set of *Interconnectors*.

Limited Profiles – a group of *Commercial Profiles* and directions limited in given *Auction* by *Offered Capacity* on given *Technical Profile*. Such a group is defined by formula in Article 4.3 and for daily *Auction* after the start of *Implicit Auctions* in Article 4.7.

Linked Bids – *Bids* which are unambiguously marked as a part of the group of *Bids* which are either accepted or not accepted during the *Auction* evaluation altogether.

Offered Capacity – the *Capacity* offered by concerned TSOs on a *Technical Profile* and direction for the period indicated in the *Auction* procedure and guaranteed by concerned TSOs defining the *Technical Profile*.

Promise of Capacity – by notification of the *Auction* result of yearly or monthly *Auction*, the *Auction Participant* gains the promise of the *Auction Office* that, by settlement of the payment in accordance with Section 9, *Capacity* shall be allocated.

PSE Operator S.A. (“PSE-O”) – with registered office at Mysia 2 Str., 00-496 Warszawa, Poland, commercial register: Nr KRS 0000197596 Sąd Rejonowy dla m.st. Warszawy, XII wydział Gospodarczy Krajowego Rejestru Sądowego.

Regulation 1228/2003/EC – the English version of Regulation (EC) No 1228/2003 of the European Parliament and of the Council of 26 June 2003 on the conditions for access to the network for cross-border exchanges in electricity, valid on the day of issuing the *Auction Rules*.

Reservation Period – the period for which *Capacity* is offered in the *Auction*.

Reservation Subperiod – is a part of *Reservation Period* in which *Offered Capacity* for *Reservation Period* cannot be guaranteed due to planned maintenance. In such *Reservation Subperiod* *Capacities* assigned to *Auction Participants* according to Section 4 on a given *Commercial Profile* and direction, and for the given *Reservation Period*, are proportionally reduced to the amount of *Capacity* announced for the given *Technical Profile* and/or *Commercial Profile*, direction and *Reservation Subperiod*. The duration of *Reservation Subperiod(s)* and *Capacity* announced for the *Reservation Subperiod(s)* are specified in the *Announcement of Auction Capacities*. *Reservation Subperiods* are used to make available maximum of *Capacity* in yearly and/or monthly *Auctions*.

Slovenská elektrizačná prenosová sústava, a.s. (“SEPS, a.s.”) – with registered office at Mlynské nivy 59/A, 824 84 Bratislava, Slovakia, incorporated in the Commercial Register kept by the District Court in Bratislava, Section Sa, Entry 2906/B, with Company Identification No. 35829141.

Technical Profile – a set of interconnectors and/or facilities which have a common technical limit and represents limits for commercial transactions on congested interconnector or parts of a national transmission system. Technical profiles are agreed by *TSOs* and each consists of one or more *Commercial Profiles*.

3M EURIBOR – the three-month interest rate at which euro interbank term deposits within the euro zone are offered by one prime bank to another prime bank (see <http://www.euribor.org>).

Time Stamp – the *Auction ePortal* system time assigned to a message when it leaves and/or comes into the *Auction ePortal*. The *Time Stamp* is definitive when settling disputes.

Total Auction Entity's Bids Value – with the yearly and monthly auctions, the Total Auction Entity's Bids Value is calculated during *Bids* evaluation as a sum of all *Auction Entity's* liabilities resulting from *Auctions*.

$$\sum_{\text{Auction Participants}} \sum_{\text{profiles}} \sum_{\text{directions}} \left(\text{Auction Price} * \sum_{i=1}^n \text{Bid Amount}(i) \right) \text{ where } n \text{ is the number of successful bids.}$$

Total Auction Entity's Bids Value concerning daily auction – is calculated as a sum of maximum values of all *Bids* placed by all *Auction Participants* representing one *Auction Entity*, separately for each *Commercial Profile* and each direction.

Bids placed by all *Auction Participants* representing a given *Auction Entity* are sorted in descending order according to the individual *Bid Price* (merit order) for the given *Commercial Profile* and direction. Bid (1) is the *Bid* with the highest *Bid Price*; Bid (n) is the *Bid* with the lowest *Bid Price*.

$$\sum_{\text{profiles}} \sum_{\text{directions}} \text{Max} \left(\text{Bid Price}(1) * \text{Bid Amount}(1) ; \text{Bid Price}(2) * \sum_{i=1}^2 \text{Bid Amount}(i) ; \dots \right. \\ \left. \dots ; \text{Bid Price}(n-1) * \sum_{i=1}^{n-1} \text{Bid Amount}(i) ; \text{Bid Price}(n) * \sum_{i=1}^n \text{Bid Amount}(i) \right)$$

transpower stromübertragungs gmbh ("TPS") - with registered office at Bernecker Straße 70, 95448, Bayreuth, Germany, commercial register Munich, HRB 171458

TSO – means a natural or legal person responsible for operating, ensuring the maintenance of, and, if necessary, developing the transmission system in a given area and where applicable its interconnections with other systems, and for ensuring the long-term ability of the system to meet reasonable demands for the transmission of electricity.

TSOs – Transmission System Operators participating in this coordinated auction procedure, i.e. CEPS, TPS, PSE-O, SEPS, a.s., and VE-T.

User – a person entitled to use the *Auction ePortal* in the name of *Auction Participant* and *Auction Entity*.

Utilisation (utilised) – the utilised part of the *Auction Entity's Credit Limit*, blocked by the participation of *Auction Participants* representing the *Auction Entity* in the *Auction*, in accordance with Section 3 and 9, which cannot be used to ensure any other transactions/participations in the *Auction* and cannot be returned to the *Auction Entity*.

Vattenfall Europe Transmission GmbH (“VE-T”) – with registered office at Chausseestr. 23, 10115 Berlin, Germany, commercial register: Amtsgericht Charlottenburg, HRB 84446.

Working Day – the calendar days from Monday to Friday, with the exception of Czech public holidays (see Annex 15).

Unless context requires otherwise, any wording in the *Action Rules* denoting the singular also applies to the plural as logic requires, and vice versa. Furthermore, the same principle of inclusion applies to references of gender.

Section 1 Preamble

Article 1.1 Considerations

The demand for cross-border transmission and capacity reservations at the *Interconnections* between *TSOs* is usually much higher than the available capacity.

According to Regulation 1228/2003/EC, a market-based mechanism should be adopted to allocate transmission capacity among market players.

In order to achieve maximum transparency in the allocation of this transmission capacity and to avoid discrimination in allocating capacities, *TSOs* will organise coordinated auctions.

As the vast majority of electricity delivery in *Control Areas* of the concerned *TSOs* is based on OTC (over the counter) bilateral contracts, *TSOs* decided to hold explicit auctions.

TSOs decided to introduce a coordinated allocation of cross-border capacities.

CEPS and SEPS, a.s. participate in a project of connection of the Czech and Slovak short-term market with electricity based on *Implicit Auctions*. Start of the *Implicit Auctions* is expected in the second half of the year 2009.

Article 1.2 General Principles

TSOs agreed to continue in a common regional auctioning procedure of *Capacities* on the borders between them and to allocate available *Capacities* on the congested *Technical profiles* to market players.

Due to the technical constraints in the regional transmission grid, *Technical profiles* may be congested while contracts for electricity transmission are realised. The *Technical profiles* are defined by *TSOs* to respect congestion either on interconnectors or in the national transmission systems.

The *Auction Rules* are constructed in accordance with the regulations set forth by European law, in particular *Regulation 1228/2003/EC* and valid and effective Guidelines to this regulation, compulsive national laws of *TSOs*, and regulations set forth by national Regulatory Authorities.

The aim of the coordinated *Auction* is to offer the market participants an easy, transparent, and non-discriminatory system for *Capacity* allocation.

Capacities are offered firm, i.e. concerned *TSOs* have committed themselves vis-à-vis *Auction Office* to guarantee the *Allocated Capacity* with the exception of cases described in Article 12.1. Other possible *Capacity* restrictions – especially concerning time periods during which the capacity will be reduced and/or restrictions imposed by Regulatory and/or Competition

Authorities on account of market dominance - may be published in *Announcement of Auction Capacities*.

Auctions for yearly, monthly and daily *Capacities* for the year 2009 will be held in order to ensure that each reservation of *Capacity* on the *Commercial Profiles* between *TSOs* shall be valid for both sides of the *Interconnection* where the *Capacity* is allocated. *Capacities* will be offered to the market participants through the coordinated *Auction* procedure.

TSOs have committed themselves vis-à-vis *Auction Office* to offer through the *Auction Office* and through the *Auctions* all *Capacity* recognised as available for commercial activity at the time of the *Offered Capacity* computation.

Methodology for computation of capacity limits for *Technical Profiles* shall be based on standard ETSO methodology for calculation of Available Transfer Capacity. *TSOs* shall publish on their individual web sites a general scheme for the calculation of “Total Transfer Capacity” and “Transmission Reliability Margin” as required by Art. 5 (2) of Regulation 1228/2003/EC.

Fixed and guaranteed schedules in opposite direction - notified to concerned *TSOs* in accordance with Article 10.3. letter a) - will be netted. *TSOs* shall publish on their individual web sites also description of netting procedure applied on their individual *Technical* or *Commercial Profile(s)*.

Article 1.3 The Auction Office

The *Auction Office* is responsible for carrying out the *Auctions* in accordance with the *Auction Rules*. The *Auction Office* conducts the *Auctions* and provides the market participants and concerned *TSOs* with all relevant information. *TSOs* have agreed that for the 2009 *Auctions*, the function of *Auction Office* will be provided by *CEPS*. Therefore, the contractual relations in the framework of these *Auctions* will only be between *CEPS* and the *Auction Entity*.

TSOs have committed themselves vis-à-vis *Auction Office* to make the *Capacity* available to the extent that it has been allocated to the *Auction Participants*, with the exception of cases described in Article 12.1.

Section 2 General

Article 2.1

Scope of the Auction Rules

These *Auction Rules* contain the terms and conditions for the allocation of the *Capacity* in both directions of each of the *Commercial Profiles* as set forth in Article 4.2 and as set forth in Article 4.6 for daily allocation after the start of *Implicit Auction*.

Among other aspects, the *Auction Rules* describe the requirements which the *Auction Participants* in the *Auction* must fulfil in order to participate, the *Auction* algorithm (including the determination of *Auction Price* as a result of *Auction*), and the conditions for using the *Allocated Capacity*.

As CEPS and SEPS, a.s. have been working on the project of connection of the Czech and Slovak short-term market with electricity based on the *Implicit Auction*, after the daily *Implicit Auctions* have been started, the allocation of transmission *Capacity* in daily *Auctions* under these *Auction Rules* will not be applied for the *Commercial Profile* CEPS – SEPS, a.s. and respective *Technical Profiles* (E, G).

- For the daily *Auction* procedure before the start of the *Implicit Auctions* the Article 4.1, Article 4.2 and Article 4.3 are valid.
- For the daily *Auction* procedure after the start of *Implicit Auctions* the Article 4.5, Article 4.6. and Article 4.7 are valid.

This change does not affect *Capacity* already allocated in yearly, monthly and daily *Auctions*.

The start of daily *Implicit Auctions* (and consequently the cancellation of explicit daily *Auctions* on CEPS – SEPS, a.s. *Commercial Profile*) shall be announced by *Auction Office* on its webpage www.e-trace.biz not later than 30 days before the change becomes effective.

By notification of the *Auction* result in case of yearly and/or monthly *Auction*, the *Auction Participant* gains a promise of the *Auction Office* that, through settling payment in accordance with Section 9, the *Capacity* shall be allocated in accordance with notified *Auction* results, with exception of cases described in Article 12.1, i.e. the *Auction Participant* gains the *Promise of Capacity*.

By notification of the *Auction* result in case of daily *Auction*, the *Capacity* is allocated to the prospective *Auction Participants*. Information about *Auctions* is available on the website of the *Auction Office* at <http://www.e-trace.biz> .

TSOs have committed themselves vis-à-vis *Auction Office* to accept the result of the common *Auctions* and to reserve the *Capacities* for *Auction Participants* according to the individual *Auction* results. Each *TSO* has committed itself to carry out the transmission services in accordance with their individual respective prerequisites, and in accordance with the legal requirements applicable to them /see Section 10/.

Grid access is not covered and granted by the scope of *Auction Rules* or the *Auction* results.

Auction Price is set forth independently of the actual use, and other transmission fees if applicable, separately in each *Control Area*.

Article 2.2 Auctions

The *Auction Office* organises yearly, monthly and daily *Auctions*.

Auctions are held for Capacity to be reserved for both directions of each of the Commercial Profiles mentioned in Article 4.2 and also in Article 4.6 after the start of Implicit Auctions for the following Reservation Periods:

- for the yearly *Auction* – the *Reservation Period* starts on 1 January 2009 and ends on 31 December 2009,
- for the monthly *Auction* – the *Reservation Period* starts on the 1st day and ends on the last day of a calendar month for the year 2009,
- for the daily *Auction* – the *Reservation Periods* lasts for each individual hour throughout 24 hours of a calendar day for the year 2009 (23 or respectively 25 hours when daylight savings time changes).

Prospective *Reservation Subperiod(s)* and *Capacity* announced for *Reservation Subperiod(s)* are specified in the *Announcement of Auction Capacities*. Procedure of *Capacity* reduction in *Reservation Subperiods* is set forth in Annex 8. Any *Capacity* which should become *Promised Capacity* to *Auction Participant* after the proportional reduction in *Reservation Subperiod* is rounded down to entire MWs. Reduction of capacity in *Reservation Subperiod* shall not be a subject of any compensation.

The *Offered Capacities* for yearly and monthly *Auctions* shall be published in the *Announcements of Auction Capacities* on the website of the *Auction Office* (<http://www.e-trace.biz>), according to the deadlines set forth in Annex 3. The *Offered Capacities* for daily *Auctions* will be published on the website of the *Auction Office* and on the *Auction ePortal* at 09:00 on the day of the daily *Auction*.

Section 3

Procedure and Requirements for Participating in the Auction and Risk Management

Article 3.1

Registration and Acceptance of the Auction Rules

Only market participants who declare legally binding and irrevocably their full and complete knowledge and acceptance of the valid and effective *Auction Rules* which are published at the website of the *Auction Office* may take part in an *Auction*.

This declaration is done by the *Auction Entity* through the delivery of a validly-signed Registration Form (see Annex 1) together with following documents:

- Original or verified copy of an extract from the Commercial or Company register (in Czech, German, Polish, Slovak or English) not older than 3 months.
- A list of the authorized representatives who are entitled to communicate with *Auction Office* in the name of the *Auction Entity* and to execute statements towards the *Auction Office* which bind the *Auction Entity*.

All the sections of the Registration Form must contain complete and true information.

Each *Auction Entity* is entitled to register in the *Auction Office* one or more *Auction Participants* identified with a valid and unique *EIC Code* issued for the *Auction Entity* as a subject of law and registered in the list of EIC codes published by ETSO on <http://www.etsonet.org/activities/edi/eic/cds/area.htm>. *EIC-Code* of each of *Auction Participants* has to be different.

The Registration Form has to be delivered to the *Auction Office* in writing by mail, messenger/courier or personally. The Registration Form has to be delivered to the *Auction Office's* address or personally to the reception or filing office of the *Auction Office* (see Annex 2). The Registration Forms delivered by fax or e-mail will be null and void and rejected by a refusal note. For the avoidance of doubt, the rejected Registration Form shall be considered null and void as of their submission.

The *Auction Office* may verify information provided in the delivered Registration Forms and in their attachments. The *Auction Office* is entitled to refuse to register a market participant in case of any discrepancy and/or misrepresentation in the Registration Form.

The *Auction Office* will confirm registration or refusal by sending a note to *Auction Entity* no later than two *Working Days* following the receipt of the Registration Form by the *Auction Office*.

The confirmation or refusal note will be sent by fax to the fax number filled in the Registration Form. The original of the confirmation or refusal note will be sent by the *Auction Office* by registered mail within two *Working Days* after the confirmation or refusal note has

been sent by fax. If the *Auction Office* refuses to register a market participant, the reason(s) will be stated in the refusal note.

The deadline for delivery of the Registration Form to register *Auction Participants* for the yearly Auction is 12:00 2 *Working Days* before the deadline 2Y (see Annex 3). The deadline for delivery of the Registration Form to register *Auction Participants* for the relevant monthly Auction is 12:00 2 *Working Days* before the deadline for the delivery of *Bids* to the relevant monthly Auction – deadline 2M (see Annex 3).

The *Auction Office* will announce the start of the registration process on its webpage www.e-trace.biz. A Registration Form delivered to the *Auction Office* or signed before this date will be rejected.

The declaration is valid for an indefinite number of *Auctions* for 2009, notwithstanding the obligation of the *Auction Entity* to inform the *Auction Office* forthwith of any changes and notwithstanding the right of the *Auction Office* to request any update or resubmission of any part of the registration documentation described above.

Confirmation of the Registration Form sent by the *Auction Office* by fax creates a contract between the *Auction Office* and *Auction Entity* for *Auctions* for 2009. Registration Forms rejected through a refusal note will be null and void.

The *Auction Rules* constitute the terms and conditions of the aforementioned contract.

Each *Auction Entity* with registered *Auction Participant(s)* may register at the *Auction Office* additional *Auction Participants* and/or may change its list of authorized representatives (Attachment 1 of the Registration Form). Based on a validly-signed notification of change delivered by the *Auction Entity* to the fax number of the *Auction Office* (see Annex 2), the *Auction Office* will confirm the registration of the change or send a refusal note on the registration of the change to the *Auction Entity*, at the latest, two *Working Days* after the receipt of the notification of change by the *Auction Office*. The confirmation or refusal note will be sent by fax to the fax number filled in Registration Form of the *Auction Entity*. The change becomes valid with the delivery of the confirmation to the *Auction Entity*. If the *Auction Office* refuses to register the change, the reason will be contained in the refusal note. The *Auction Entity* has to deliver the original of the notification of change by mail, messenger, or personally to the *Auction Office*, at latest, on the 5th *Working Day* after the delivery by fax.

With regard to the fact that *Auctions* are carried out through the *Auction ePortal*, an *Auction Participant* interested in participating in *Auctions* is also obliged to fulfil prerequisites for access to the *Auction ePortal* stated in Article 5.2.

Only *Auction Participants* fulfilling the prerequisites for using the *Capacity* on the given *Commercial Profile* (see Section 10) may take part in the daily Auction on the *Commercial Profile*.

In the event that the *Auction Entity* does not fulfil the payment conditions set forth in Section 9, the procedures and rules determined in Section 9 shall be applied.

Article 3.2 Solvency requirements and Risk Management

There are risk management instruments required to secure access to *Capacities* on *Interconnections* and to avoid misuse of the *Auction Participant's* rights. Secure allocation is a prerequisite for effective competition in the EU internal electricity market.

The following risk management instruments shall be accepted by the Auction Office:

a) The *Auction Entity's* long-term credit rating of “BBB-” (S&P) or “Baa3” (Moody's) or “BBB-” (Fitch/IBCA) or higher – hereinafter “rating”. The rating represents 5 000 000 EUR of *Credit Limit* for the *Auction Entity*. The *Auction Entity* with such a rating must ask *Auction Office* for acceptance of its rating by 12:00 on the last *Working Day* before the day on which falls the deadline 2Y for the yearly *Auction* or by 12:00 on the last *Working Day* before the day on which falls the deadline 2M for the relevant monthly *Auction*, to be included to calculation of the *Credit Limit*. Based on request of *Auction Office* *Auction Entity* must prove its valid rating level through confirmation issued by one of the mentioned rating agencies. An original or verified copy of the document proving the rating level must be delivered by the *Auction Entity* to the *Auction Office*. The *Auction Office* shall not take into consideration above mentioned 5 000 000 EUR of *Credit Limit*, representing the rating, up to the delivery of the undisputable confirmation issued by relevant rating agency.

b) A bank guarantee issued by a bank with long-term credit rating of “BBB-” (S&P) or “Baa3” (Moody's) or “BBB-” (Fitch/IBCA) or higher securing overdue payment if the *Auction Entity* fails to pay – hereinafter “bank guarantee”.

For details concerning the bank guarantee, see Annex 4.

c) A deposit provided

i. to the account of the *Auction Office* or

ii. to an account of the *Auction Entity* in a bank chosen by the *Auction Office*. The *Auction Office* must be entitled to exercise its use of the deposit without restriction and as the sole beneficiary

hereinafter “deposit”.

For details concerning the deposit, see Annex 5.

d) A promissory note with aval / co-acceptance of a bank or company with long-term credit rating of “BBB-” (S&P) or “Baa3” (Moody's) or “BBB-” (Fitch/IBCA) or higher – hereinafter “promissory note”.

For details concerning the promissory note, see Annex 6.

Only *Auction Participants* representing the *Auction Entity* fulfilling solvency prerequisites may participate in an *Auction*. The *Auction Office* accepts risk management instruments placed by an *Auction Entity* to cover all the *Auction Participants* representing it.

The Solvency prerequisites applicable for participation in an Auction are as follows:

For participation in the yearly and/or monthly *Auction*, the *Auction Entity* may choose from all defined risk management instruments - rating, bank guarantee, deposit, promissory note (above mentioned Letter a), b), c), d)).

For participation in a daily *Auction*, the *Auction Entity* may choose only from bank guarantee, deposit, or promissory note (above mentioned Letter b), c), d)).

For monthly and yearly *Auctions*, the *Auction Participants* representing an *Auction Entity* are entitled to submit, in total, as many *Bids* for all *Commercial Profiles* and directions, independent from each other, as the *unutilised Auction Entity's Credit Limit* enables. The *unutilised Credit Limit* is checked after evaluating the *Bids* (see Article 6.2 and Article 7.2, respectively).

Furthermore, the risk management instruments serve to ensure payments resulting from the yearly, monthly, and daily *Auction* procedure. The only accepted currency for risk management instruments is EUR.

If the rating of the *Auction Entity* has been decreased below required rating, the *Auction Entity* is obliged to inform the *Auction Office* of the case immediately and to secure the trading exposure through a different risk management instrument as given in the *Auction Rules*.

A bank guarantee/promissory note will be rejected by the *Auction Office* if the *Auction Office* assesses the bank guarantee/promissory note to be incomplete for the purpose of the *Auctions*.

A deposit can only serve as a hedging instrument and not as advance payment. The deposits credited to the account of *Auction Office* established as a risk management instrument do not bear any interest; therefore, the *Auction Office* will not pay any interest to *Auction Entity*.

The *Auction Office* will calculate the sum of all risk management instruments provided by the *Auction Entity* and accepted by the *Auction Office* as the limit for the *Auction Entity's* trading. This is referred to as its *Credit Limit* (the *Credit Limit* is calculated for trading performed by all *Auction Participants* identified with their unique *EIC-Codes* representing one *Auction Entity* in *Auction Office*). See also Annex 7.

The Value of the Credit Limit is calculated for each Auction Entity:

- a) Before yearly and monthly *Auctions* as a sum of the following:
 - i. Bank guarantees and promissory notes provided by the *Auction Entity* to the *Auction Office* if they fulfil the requirements determined by the *Auction Rules* and if they are delivered in original to the *Auction Office* by 12:00 on the last *Working Day* before the day on which falls the deadline 2Y for the yearly *Auction* or by 12:00 on the last *Working Day* before the day on which falls the deadline 2M for the monthly *Auction*. Deadlines are specified in Annex 3.
 - ii. Deposits fulfilling the requirements determined by the *Auction Rules* – the amount of the deposits provided by the *Auction Entity* to the *Auction Office* that are credited to the account of the *Auction Office*, at the latest, one *Working Day* before the day on which falls the deadline 2Y for the yearly *Auction* or the deadline 2M for the monthly *Auction*. Regarding deposits on the *Auction Entity's* own account, the deposits will only be considered if the notification from the bank on the increased deposit has been delivered to the *Auction Office* by 12:00 on the last *Working Day* before the day on which falls the deadline 2Y for the yearly *Auction* or by 12:00 on the last *Working Day* before the day on which falls the deadline 2M

for the monthly *Auction*. Deadlines are specified in Annex 3. The *Auction Office* shall be informed of the deposit increase simultaneously by the *Auction Entity* (see Annex 5), and if there is any discrepancy, the *Auction Office* may verify the information in coordination with the bank.

- b) Before daily *Auctions* as a sum of the following:
- i. Bank guarantees and promissory notes provided by the *Auction Entity* to the *Auction Office* if they fulfil the requirements determined by the *Auction Rules* and if they are delivered in original to the *Auction Office* by 12:00 on the last *Working Day* before the day of participation in the daily *Auction*.
 - ii. Deposits fulfilling the requirements determined by the *Auction Rules* – the amount of the deposits provided by the *Auction Entity* to the *Auction Office* that are credited to the account of the *Auction Office*, at the latest, one *Working Day* before the participation in the daily *Auction*. Regarding the deposits on the *Auction Entity's* own account, the deposits will only be considered if the notification from the bank on the increased deposit has been delivered to the *Auction Office*, at the latest, by 12:00 one *Working Day* before the participation in the daily *Auction*. The *Auction Office* shall be informed of the deposit increase simultaneously by the *Auction Entity* (see Annex 5), and if there is any discrepancy, the *Auction Office* may verify the information in coordination with the bank.

For a monthly *Auction*, part of the *utilised Credit Limit* resulting for individual *Auction Entity* from the participation of their *Auction Participants* in daily *Auctions* is calculated as an actual level at 11:00 on the day on which the deadline 2M for the monthly *Auction* falls.

Deposits provided by the *Auction Entity* to the *Auction Office* are only the deposits on the account of the *Auction Office* or on the account of the *Auction Entity* in a bank chosen by the *Auction Office* (as set in the risk management instruments Letter c)).

Bank guarantees/promissory notes or deposits may be replaced or extended with an additional bank guarantee/promissory note or deposit. Bank guarantees/promissory notes or deposits which are not *utilised* and/or which were not exercised will be returned based on the *Auction Entity's* request 14 calendar days after the receipt of the request, at the latest. In this situation, the *Credit Limit* is decreased by the amount of the bank guarantee/promissory note/deposit that the *Auction Entity* requested to be returned, 1 calendar day after the receipt of the request. The request for return of deposit shall contain following payment details: amount of deposit to be returned, name and address of bank, SWIFT code, number of account and IBAN.

Each time an *Auction Participant* representing an *Auction Entity* places Bids, the *Auction Office* will utilise a part of the *Auction Entity's Credit Limit* according to the following rules:

- For yearly *Auctions*, the *Credit Limit* is *utilised* at an amount of 1/12 of the *Total Auction Entity's Bids Value*. On the day of the notification of the *Auction* results to the individual *Auction Participants*, the part of the *Credit Limit utilised* in such an amount will be set at 1/12 of the actual financial liability resulting from the *Promises of Capacity* from the yearly *Auction* procedure, calculated together for all *Auction Participants* representing the *Auction Entity*. The *utilised* part will be released after settling the entire payment (12 monthly payments) resulting from the yearly *Auction*.

- For monthly *Auctions*, on the day of the notification of *Auction* results to the individual *Auction Participants*, the *Credit Limit* is *utilised* at an amount of the *Total Auction Entity's Bids Value*, i.e. at an amount of the actual financial liability resulting from the *Promises of Capacity* from the monthly *Auction* procedure, calculated together for all *Auction Participants* representing the *Auction Entity*. The *utilised* part will be released after settling the payment resulting from the monthly *Auction*.
- For daily *Auctions*, the *Credit Limit* is *utilised* at an amount of the *Total Auction Entity's Bids Value concerning daily auction*. On the day of the daily *Auction* aggregate results publication/notification, the part of the *Credit Limit utilised* in such an amount will be set to the actual financial liability resulting from the *Promises of Capacity* from the daily *Auction* procedure, calculated together for all *Auction Participants* representing the *Auction Entity*. The *utilised* part will be released after settling the payment resulting from the daily *Auction*.

The *Auction Office* is entitled to *utilise* the *Credit Limit* up to the amount the claim is unpaid, including VAT charge if applicable, if there is a well founded concern that the risk management instrument is going to be exercised. In case there is insufficient *Credit Limit*, the *Auction Entity* is obliged to increase the *Credit Limit*.

It is the responsibility of the *Auction Entity* to provide his *Credit Limit* with a sufficient amount to prevent his bids from being excluded due to unfulfilled solvency requirements.

The circumstances under which the *Auction Office* is entitled to exercise the risk management instruments are defined in Section 9.

Section 4

Algorithm of Regional Coordinated Auctions and Determination of the Auction Price

Article 4.1, Article 4.2, and Article 4.3 are applicable for yearly and monthly *Auction* procedure. They are also applicable for the daily *Auction* procedure before the start of *Implicit Auctions*.

Article 4.5, Article 4.6. and Article 4.7 are applicable for daily *Auction* procedure after the start of *Implicit Auctions*.

Article 4.1

Technical profiles in the region

Technical Profile ID	Technical Profile description
A	PSE-O – (CEPS + SEPS, a.s. + VE-T)
B	VE-T – (CEPS + PSE-O)
C	CEPS – PSE-O
E	(CEPS+PSE-O) – SEPS, a.s.
F	CEPS – TPS
G	CEPS – SEPS, a.s.
H	PSE-O - SEPS, a.s.

Article 4.2

Commercial Profiles in the region

The following are the *Commercial Profiles* between *TSOs (Control Areas)* in the region which are included into the coordinated *Capacity* allocation procedure:

- CEPS – TPS
- CEPS – PSE-O
- CEPS – SEPS, a.s.
- CEPS – VE-T
- PSE-O – VE-T

- PSE-O – SEPS, a.s.

The reservation of *Capacity* on the *Commercial Profiles* listed above is a result of the *Auction* process based on the individual *Bid Prices* for the chosen *Commercial Profiles* and directions. This process takes into account *Offered Capacities* on all *Technical Profiles* listed above.

Article 4.3 Algorithm

The *Auction Office* arranges all *Auction Bids* received in descending order according to the individual *Bid Price* (merit order), independent of the *Commercial Profile* and direction to which the individual *Bids* relate.

Particular *Bids* are in the order defined above (i.e. starting with the *Bid* with highest *Bid Price*) assigned to the particular *Commercial Profiles* and directions. In doing so, the *Auction Office* will check the fulfilment of the following conditions (limits on *Technical Profiles*). These conditions are stated on the basis of technical constraints in the transmission systems.

Limits on Technical Profiles:

$$x_{1PV} + x_{2PC} + x_{4PS} \leq A_{out}$$

$$x_{1VP} + x_{3VC} \leq B_{out}$$

$$x_{2CP} \leq C_{out}$$

$$x_{4SP} + x_{6SC} \leq E_{out}$$

$$x_{5EC} \leq F_{out}$$

$$x_{6CS} \leq G_{out}$$

$$x_{4SP} \leq H_{out}$$

$$x_{1VP} + x_{2CP} + x_{4SP} \leq A_{in}$$

$$x_{1PV} + x_{3CV} \leq B_{in}$$

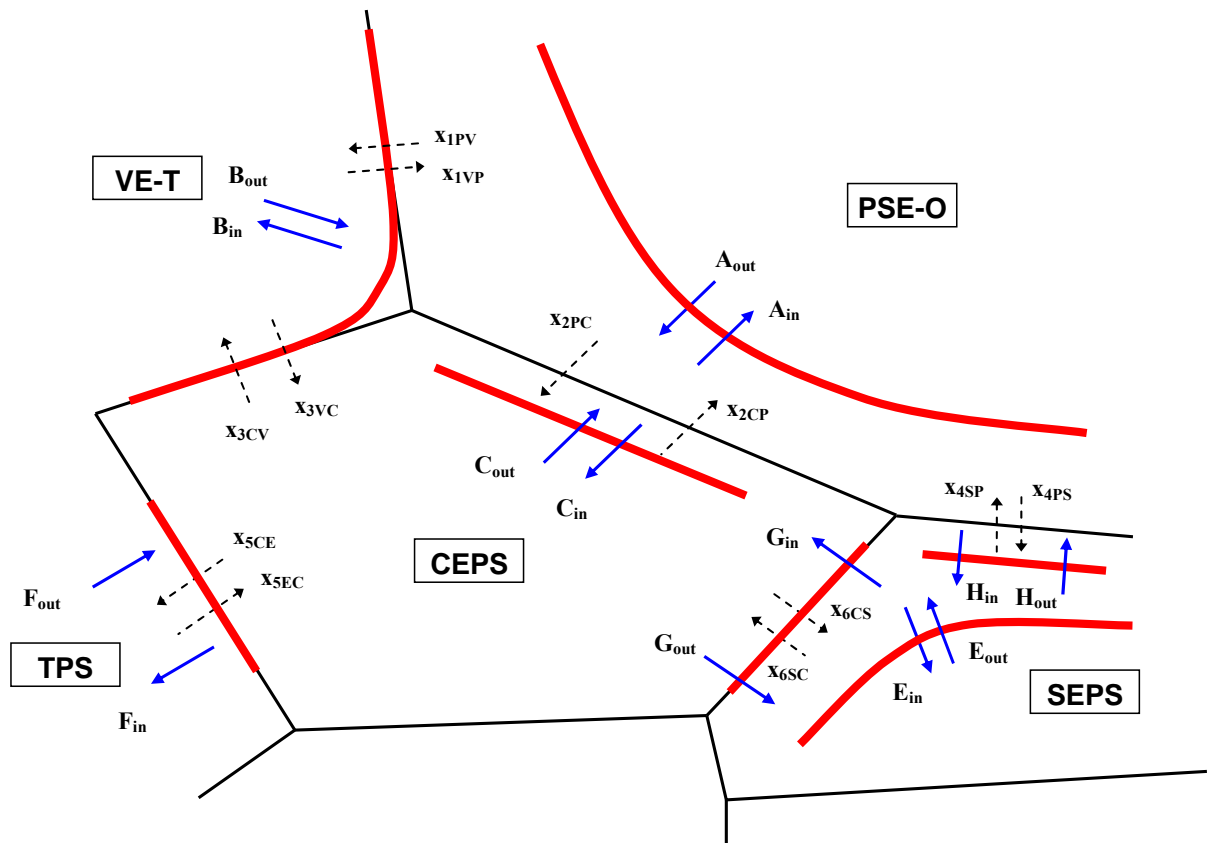
$$x_{2PC} \leq C_{in}$$

$$x_{4PS} + x_{6CS} \leq E_{in}$$

$$x_{5CE} \leq F_{in}$$

$$x_{6SC} \leq G_{in}$$

$$x_{4PS} \leq H_{in}$$



If the considered *Bid*, together with already accepted *Bids*, does not exceed the limits on *Technical Profiles*, it will be accepted by the *Auction Office*, and the required *Capacity* will be assigned to the *Auction Participant*.

If the considered *Bid*, together with already accepted *Bids*, exceeds the limit on one or more *Technical Profiles*:

- The considered *Bid* will not be accepted by *Auction Office* and will be rejected by mentioning of the technical limit(s) exceeded.

There is an exception in daily *Auction* where the *Auction Participant* has the possibility to indicate the divisibility of the *Bid Amount*. If in a daily *Auction* the considered *Bid* is indicated as divisible, the considered *Bid* will be accepted with a reduced *Bid Amount* up to the *Offered Capacity*.

- The *Capacity* allocation on all *Commercial Profiles* and directions limited by the given limit is finished at this moment.
- The determination of the *Auction Price* will be executed on the basis of the limit(s) exceeded on the *Technical Profiles*.

If there are two or more *Bids* on the merit order with an identical *Bid Price*, and the sum of all these *Bids* together with *Bids* already accepted exceeds the *limit* on the same *Technical Profile* (marginal *Bids*), it will be proceeded as follows:

- Marginal *Bids* are accepted in order of their individual “time stamp” according to the “First-Come-First-Serve Principle”. Any *Bids* modification submitted, however, results in losing the time priority of the earlier submitted set of *Bids* (being modified). A new “time stamp” is attached to the modified set of *Bids* upon delivery of a valid modification.

Determination of the Auction Price

If no limits on the *Technical Profiles* related to the given *Commercial Profile* and direction are exceeded, then the *Auction Price* for the given *Commercial Profile* and direction is equal to zero.

If one of the received *Bids* exceeds the limit on one or more *Technical Profiles*, the following rules are applied for determining the *Auction Price*:

a) With only one limit on *Technical Profiles* exceeded:

- i. The *Auction Price* has not yet been set on any of *Limited Profiles*,

The *Auction Price* is identical for all *Limited Profiles* and equals the lowest *Bid Price* of all *Bids* accepted on *Limited Profiles*, i.e. the price of the last accepted *Bid* on the *Limited Profiles*.

- ii. The *Auction Price* has already been set on some of the *Limited Profiles* – by other defined limits on the *Technical Profiles* being previously exceeded,

On the *Limited Profiles* on which the *Auction Price* has not been set, the *Auction Price* is identical and equals the lowest *Bid Price* of all *Bids* accepted on *Limited Profiles*, i.e. the price of the last accepted *Bid* on the *Limited Profiles*.

- b) Two or more limits on the *Technical Profiles* are simultaneously exceeded:

The *Auction Price* on the *Limited Profiles* will be determined on the basis of all exceeded limits. The *Auction Price* is determined through the procedure described in Letter a) above, always taking into account only one of the limits on the *Technical Profiles*.

As a result, this procedure has two or more preliminary *Auction Prices* for a given *Commercial Profile* and direction set by the two or more exceeded limits. The *Auction Price* is determined firstly through the procedure described in Letter a) above on the basis of the exceeded limit on the *Technical Profile* to which the highest of preliminary *Auction Prices* corresponds, and then, on the basis of the other exceeded limits on the *Technical Profiles* (order of evaluation is given in such case by merit order of preliminary *Auction Prices* for a given *Commercial Profile* and direction).

The *Auction Participant* is obliged to pay the *Auction Price* determined for the *Commercial Profile* and direction for each MW of *Promise of Capacity* according to Section 9 hereto. See also Annex 7.

Article 4.4 Linked Bids

Each *Auction Participant* is entitled to link his *Bids* – create a group of *Bids* for reservation of *Capacity* on more than one *Commercial Profile* or, in case of a daily *Auction*, for more than one hour. Linking *Bids* means that when all *Bids* in the group – *Linked Bids* – are successful, the *Auction Participant* will acquire the *Promise of the Capacity* according to *Auction Rules*. The *Auction* is first calculated including all *Linked Bids*. Should at least one *Bid* in a group of *Linked Bids* not be successful, all *Linked Bids* in the group shall be excluded and shall not be included among assessed *Bids*. The evaluation according to Article 4.3 or Article 4.7 will run out again without such excluded *Linked Bids*.

- a) Monthly or yearly *Auction* – After the preliminary evaluations resulting from the necessity to exclude *Bids* of *Auction Participants* representing *Auction Entities* with an insufficient level of *unutilised Credit Limit* (see Article 6.2 and Article 7.2, respectively), all *Linked Bids* (groups of *Bids*) of all *Auction Participants* that should be excluded according to rules defined in 1st paragraph of the Article 4.4 shall be excluded and shall not be included among the assessed *Bids*. Afterwards, the sufficiency of the level of the *unutilised Credit Limit* is again checked, according to procedure determined in Article 6.2 and Article 7.2, respectively. Afterwards, the evaluation of *Bids*, in accordance with the rules stated in Article 4.3, will again run.
- b) Daily *Auction* – After the first preliminary *Bids* evaluation in accordance with the rules stated in Article 4.3 or in Article 4.7, all *Linked Bids* (groups of *Bids*) of all *Auction Participants* that should be excluded according to rules defined in 1st paragraph of the Article 4.4 shall be excluded and shall not be included among the assessed *Bids*. Afterwards, the evaluation of *Bids*, in accordance with the rules stated in Article 4.3 or in Article 4.7, will again run.

Auction Participants may use *Linked Bids* for example in yearly/monthly/daily *Auction* to secure the reservation of the *Capacity* on more *Commercial Profiles* in the same amount or in

the daily *Auctions* to secure the reservation of the *Capacity* not only for one hour but for groups of hours (e.g., peak, base, etc.). See also Annex 7.

Article 4.5

Technical profiles in the region valid for daily *Auction* after the start of daily *Implicit Auction* on CEPS – SEPS, a.s. profile

Technical Profile ID	Technical Profile description
A	PSE-O – (CEPS + SEPS, a.s. + VE-T)
B	VE-T – (CEPS + PSE-O)
C	CEPS – PSE-O
F	CEPS – TPS
H	PSE-O - SEPS, a.s.

Article 4.6

Commercial Profiles valid for daily *Auction* after the start of daily *Implicit Auction* on CEPS – SEPS, a.s. profile in the region

The following are the *Commercial Profiles* between *TSOs (Control Areas)* in the region which are included into the coordinated daily *Capacity* allocation procedure after the start of daily *Implicit Auction* on CEPS – SEPS, a.s. profile:

- CEPS – TPS
- CEPS – PSE-O
- CEPS – VE-T
- PSE-O – VE-T
- PSE-O – SEPS, a.s.

The reservation of *Capacity* on the *Commercial Profiles* listed above is a result of the *Auction* process based on the individual *Bid Prices* for the chosen *Commercial Profiles* and directions. This process takes into account *Offered Capacities* on all *Technical Profiles* listed above.

Article 4.7

Algorithm valid for daily *Auction* after the start of daily *Implicit Auction* on CEPS – SEPS, a.s. profile

The *Auction Office* arranges all *Auction Bids* received in descending order according to the individual *Bid Price* (merit order), independent of the *Commercial Profile* and direction to which the individual *Bids* relate.

Particular *Bids* are in the order defined above (i.e. starting with the *Bid* with highest *Bid Price*) assigned to the particular *Commercial Profiles* and directions. In doing so, the *Auction Office* will check the fulfilment of the following conditions (limits on *Technical Profiles*). These conditions are stated on the basis of technical constraints in the transmission systems.

Limits on Technical Profiles:

$$x_{1PV} + x_{2PC} + x_{4PS} \leq A_{out}$$

$$x_{1VP} + x_{2CP} + x_{4SP} \leq A_{in}$$

$$x_{1VP} + x_{3VC} \leq B_{out}$$

$$x_{1PV} + x_{3CV} \leq B_{in}$$

$$x_{2CP} \leq C_{out}$$

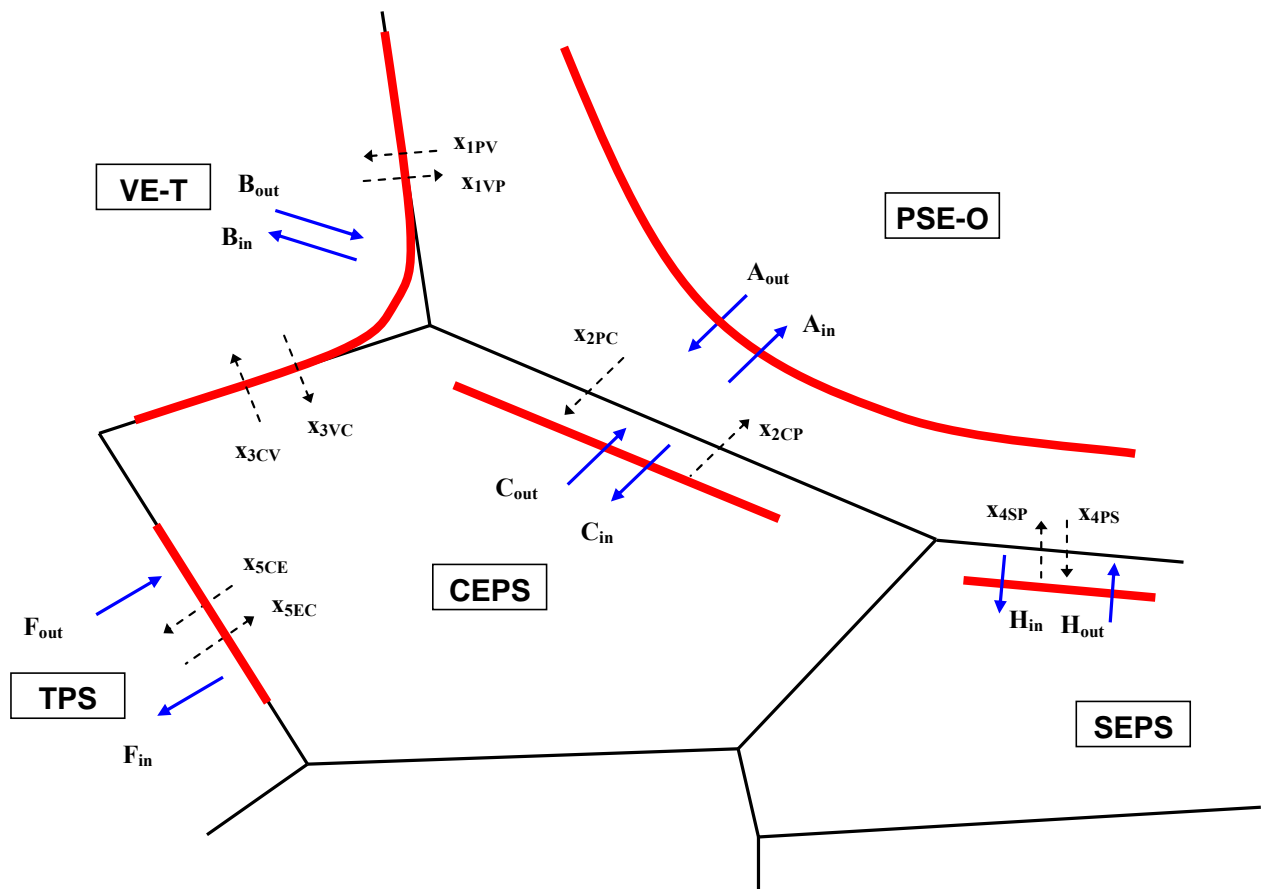
$$x_{2PC} \leq C_{in}$$

$$x_{5EC} \leq F_{out}$$

$$x_{5CE} \leq F_{in}$$

$$x_{4SP} \leq H_{out}$$

$$x_{4PS} \leq H_{in}$$



If the considered *Bid*, together with already accepted *Bids*, does not exceed the limits on *Technical Profiles*, it will be accepted by the *Auction Office*, and the required *Capacity* will be assigned to the *Auction Participant*.

If the considered *Bid*, together with already accepted *Bids*, exceeds the limit on one or more *Technical Profiles*:

- The considered *Bid* will not be accepted by *Auction Office* and will be rejected by mentioning of the technical limit(s) exceeded.

There is an exception in daily *Auction* where the *Auction Participant* has the possibility to indicate the divisibility of the *Bid Amount*. If in a daily *Auction* the considered *Bid* is indicated as divisible, the considered *Bid* will be accepted with a reduced *Bid Amount* up to the *Offered Capacity*.

- The *Capacity* allocation on all *Commercial Profiles* and directions limited by the given limit is finished at this moment.
- The determination of the *Auction Price* will be executed on the basis of the limit(s) exceeded on the *Technical Profiles*.

If there are two or more *Bids* on the merit order with an identical *Bid Price*, and the sum of all these *Bids* together with *Bids* already accepted exceeds the *limit* on the same *Technical Profile* (marginal *Bids*), it will be proceeded as follows:

- Marginal *Bids* are accepted in order of their individual “time stamp” according to the “First-Come-First-Serve Principle”. Any *Bids* modification submitted, however, results in losing the time priority of the earlier submitted set of *Bids* (being modified). A new “time stamp” is attached to the modified set of *Bids* upon delivery of a valid modification.

Determination of the Auction Price

If no limits on the *Technical Profiles* related to the given *Commercial Profile* and direction are exceeded, then the *Auction Price* for the given *Commercial Profile* and direction is equal to zero.

If one of the received *Bids* exceeds the limit on one or more *Technical Profiles*, the following rules are applied for determining the *Auction Price*:

a) With only one limit on *Technical Profiles* exceeded:

- i. The *Auction Price* has not yet been set on any of Limited Profiles,

The *Auction Price* is identical for all *Limited Profiles* and equals the lowest *Bid Price* of all *Bids* accepted on *Limited Profiles*, i.e. the price of the last accepted *Bid* on the *Limited Profiles*.

- ii. The *Auction Price* has already been set on some of the Limited Profiles – by other defined limits on the *Technical Profiles* being previously exceeded,

On the *Limited Profiles* on which the *Auction Price* has not been set, the *Auction Price* is identical and equals the lowest *Bid Price* of all *Bids* accepted on *Limited Profiles*, i.e. the price of the last accepted *Bid* on the *Limited Profiles*.

b) Two or more limits on the *Technical Profiles* are simultaneously exceeded:

The *Auction Price* on the *Limited Profiles* will be determined on the basis of all exceeded limits. The *Auction Price* is determined through the procedure described in Letter a) above, always taking into account only one of the limits on the *Technical Profiles*.

As a result, this procedure has two or more preliminary *Auction Prices* for a given *Commercial Profile* and direction set by the two or more exceeded limits. The *Auction Price* is determined firstly through the procedure described in Letter a) above on the basis of the exceeded limit on the *Technical Profile* to which the highest of preliminary *Auction Prices* corresponds, and then, on the basis of the other exceeded limits on the *Technical Profiles* (order of evaluation is given in such case by merit order of preliminary *Auction Prices* for a given *Commercial Profile* and direction).

The *Auction Participant* is obliged to pay the *Auction Price* determined for the *Commercial Profile* and direction for each MW of *Promise of Capacity* according to Section 9 hereto. See also Annex 7.

Section 5 Auction ePortal

Article 5.1 General Conditions

The *Auction Office* will organize and execute the coordinated *Auction* of the yearly, monthly and daily available *Capacity* electronically in the *User* environment of the *Auction ePortal*.

The *Auction Office* will provide the *Users* with documentation of the *Auction ePortal*, and operational instructions, related to using of the *Auction ePortal* and *Users* support.

The *Auction Office* reserves the right to change operationally a business day regime, such as time closures in reasonable cases, especially when the following technical problems arise: a general collapse of the Internet, a collapse of all Internet connections of the *Auction ePortal*, or a collapse of *Auction ePortal* (servers, database or *Auction ePortal* application error).

All *Users* of the *Auction ePortal* will be informed, without undue delay, of the actual operational situation.

All the time data specified in connection with the *Auction Rules* – especially deadlines for data transfer, announcement of results, etc. – are in *Auction ePortal* system time. The system time is available in the *User* account environment.

A data receipt will be valid only if the data had been accepted by the *Auction ePortal* server by the deadline and if the *Auction ePortal* confirmed the receipt. After the deadline, the receipt of data given will be rejected due to the expiration of the deadline.

In order to participate in the *Auction* procedure, *Bids* shall be submitted to the *Auction ePortal*. Already submitted *Bids* may be modified by the *Auction Participant* before the deadline for delivery.

Any *Bids* modification submitted, considered to be a declaration of withdrawal of already submitted *Bids* and submission of new set of *Bids*. Furthermore modification of *Bids* results in losing the time priority of the original set of *Bids* (being modified). A new “time stamp” is attached to the modified set of *Bids* upon delivery of a valid modification.

After entry/modification of the *Bids*, the *Auction Participant* receives a confirmation. Should there be a failure in entering or modifying the *Bids*, the *Bids* will be refused, and the *Auction Participant* will be informed of the reason(s) for refusal by the message in the *Auction ePortal*. The last accepted and confirmed modification of the *Bids* shall be binding on the *Auction Participant*.

Confirmation of receipt of the *Bids* at the *Auction ePortal* is the decisive criterion in meeting the time limit. The *Auction Participant* is responsible for the evidence of the timeliness of the delivery of *Bids* and/or its modifications to the *Auction Office*.

Bids which do not fulfil any of the requirements stated in the *Auction Rules* shall be excluded and shall not be included among the assessed *Bids*.

Unless otherwise provided for in any specific case, the *Users* can send data to (or receive data from) the *Auction ePortal* in two ways:

- via electronic forms (html),
- through the XML file.

For automatic communication with the *Auction ePortal* there is web services standard available.

Article 5.2 Access to the *Auction ePortal*

Each *User* is required to use only electronic signatures and certificates which comply with requirements specified in Annex 12 and/or Annex 17 of the *Auction Rules* for the purposes of accessing the *Auction ePortal* and executing business transactions via the *Auction ePortal*.

After an *Auction Participant* has become registered (see Section 3), its *User* accounts can be set up in the *Auction ePortal*. The *Auction Participant* shall submit a completely filled application form to the *Auction Office* for setting up/modifying the *User* accounts for all its *Users* (see Annex 11). All the sections of the form must contain complete and true information. At the same time, the *User* shall submit for registration to the e-mail address of *Auction ePortal* operators (see Annex 2), an electronically signed e-mail containing the identification of *Auction Entity*, the *Auction Participant*, the *User*, and information on the purposes the certificate will be used by which the e-mail is signed (accessing the *Auction ePortal* or executing business transactions via the *Auction ePortal* or both). The *Auction Office* shall carry out the *User* account set up or *User* account alteration within 3 *Working Days* after the handover of the application.

Each new *User* or an old *User* with a modified *User* account is informed about a set up/change of his *User* account by e-mail, to the contact address mentioned in its application form. The e-mail will include an entry key consisting of a *User* name (login) and a new password in case of a new *User* account is set up. The *User* shall keep this information as personal and confidential and shall be liable for any direct or indirect damages resulting from any unauthorized disclosure of such information. The *Auction Office* is not liable for any and all unauthorized use of the key should the *User* name and password has been utilized.

The *Auction Office* shall be entitled to verify the information stated in the form and not to establish the *User* account when there is found any discrepancy in the facts, or a suspicion thereof. The *Auction Office* shall be entitled to prevent the *User* from accessing the *Auction ePortal* in the case it finds any discrepancy such as, but not limited to, the following: information on the *User*, the certificate, or expiration of the certificate, or the contract is not effective.

Each *Auction Participant* accessing the *Auction ePortal* shall designate at least one of its representatives as a Local Administrator with special rights to modify the *User* rights of other *Users* of the same *Auction Participant*.

The *User* of the *Auction ePortal* shall execute business transactions and configurations of its *User* account in the *User* account environment.

The *User* account environment includes in particular:

- Information on the *Auction ePortal* time.
- Messages from the *Auction Office* (e.g. the confirmation of executed operations).
- The set of commands for executing operations.

Article 5.3 Notice Board

The Notice Board is an additional functionality of *Auction ePortal* allowing the *User* of corresponding *Auction Participant* to inform all other *Users*, about intent to purchase/sale *Allocated Capacity*.

The Notice Board is only a tool for publishing the notice. There is no connection (excluding the identity of *Auction Participant*) among this functionality and other functionalities of the *Auction ePortal*, therefore:

- The notice and/or any information published by *User* of an *Auction Participant* (e.g. on *Capacity* offer) does not need to correspond with real data (e.g. with state of *Allocated Capacity* of the *Auction Participant* offering *Capacity*) – there is not any checking procedure provided by *Auction Office*.
- The Notice Board does not replace the “Transfers” module of *Auction ePortal* respectively procedure described by Section 11. Any negotiated *Capacity* transfer (with or without Notice Board usage) is valid only if notified to the *Auction Office* by transferor and confirmed by transferee according to Section 11 of *Auction Rules*.

A notice includes following information:

- publishing date
- date from (validity of notice)
- date till (validity of notice)
- *Commercial Profile* and direction
- volume of *Capacity*
- identification of *Auction Participant*
- type of notice (purchase/sale/general)
- comment space (for further text e.g. a contact phone number, e-mail)

The functionality is available only via web forms (inside the *Auction ePortal*), therefore the corresponding data flows can not be exchanged via web services nor by using the Client Application.

Auction Office may not be liable neither for content of notices published on the Notice Board by *Users*, nor for decisions of market participants, legal acts and their affects resulting from usage of such notices.

Auction Office reserves the right to delete:

- Any notice not relevant to the purpose of the Notice Board
- Vulgarisms, or wordings insulting any other user/s and/or other person/s

The decisions to delete the notice can be based on generally accepted ethic standards.

Section 6

Specific Rules for the Yearly Auction

The specific rules for yearly *Auction* organised electronically in the *User* environment of the *Auction ePortal* set forth by this Section may be replaced in case of technical problems with electronic solution identified by Auction Office by alternative rules specified by Annex 9. Information about use of alternative yearly *Auction* procedure according to Annex 9 may be published by 12:00 on the last *Working Day* before the day on which the deadline 2Y falls (see Annex 3). Information shall be published on the Auction Office webpage (www.e-trace.biz). Furthermore *Auction Office* will notify use of alternative yearly *Auction* procedure to all *Auction Participants* by message in *Auction ePortal* and by e-mail.

Article 6.1

Bids for the Reservation of Capacity in Yearly Auction

The *Auction Office* will organize and execute the coordinated *Auction* of the yearly available *Capacity* electronically in the *User* environment of the *Auction ePortal*.

Yearly *Auction* will be held in dates according to Annex 3.

Each Bid submitted to the yearly Auction must contain the following unambiguous and legible specifications:

- a) The identification of the *User*.
- b) The specification of the *Commercial Profile* and transmission direction.
- c) The year to which the *Bid* refers.
- d) *Bids* with following specifications:
 - i. The amount of the *Capacity* to be allocated in MW without decimals; the minimum amount of a single *Bid* is 1 MW; the maximum amount of a single *Bid* is, equal to the *Offered Capacity* for the *Technical Profile(s)*, which includes the given *Commercial Profile*, and at the same time does not exceed 50 MW.
 - ii. The *Bid Price* in EUR/MW with a maximum of two decimals. The *Bid Price* has to be equal to or more than zero. The *Bid Price* of each two *Bids* presented on one *Bid Sheet* must not be identical.

Each *Auction Participant* shall deliver its *Bids* in the *Auction ePortal* by the deadline 2Y for the yearly *Auction* (deadlines are specified in Annex 3), with the exception of changing of the time closure according to a business day regime change (see Article 5.1).

Article 6.2

Auction Proceeding

All *Bids* which fulfil the above-mentioned requirements will be evaluated, and the preliminary *Auction Price* will be determined in accordance with the rules stated in Section 4.

For each *Auction Entity* the outstanding liability given by the preliminary result of the *Auction* (the preliminary *Auction Price* and preliminary *Promises of Capacity*) will be checked with the *Auction Entity's unutilised Credit Limit*. If the 1/12 of outstanding liability for the yearly *Auction* rounded to two decimal places exceeds the *Auction Entity's unutilised Credit Limit*, all *Auction Participants' Bids* of relevant *Auction Entity* shall be excluded and shall not be included among the assessed *Bids*.

The procedure determined in the previous paragraph will be repeated if the 1/12 of outstanding liability of any of the *Auction Entities* for the yearly *Auction* rounded to two decimal places exceeds its *Auction Entity's unutilised Credit Limit*.

After excluding all *Auction Participants' Bids* of all *Auction Entities* due to an insufficient level of *unutilised Credit Limit* and after re-evaluating the preliminary result of the *Auction* according to Article 4.3, all *Linked Bids* of all *Auction Participants* are evaluated according to Article 4.4.

In case there are no newly recognised technical limitations of *Capacity*, any remaining *Capacity* in the yearly *Auctions* will be offered in the monthly and/or daily *Auctions*.

Article 6.3

Notification of the Results of an Auction

The *Auction Office* publishes results of yearly *Auction* on the *Auction Office's* webpage (www.e-trace.biz) for each *Commercial Profile* and direction by the deadline 3Y. Deadlines are specified in Annex 3:

- Total *Promise of Capacity*
- Total requested *Capacity*
- *Auction Price*
- Number of *Auction Participants* in *Auction*
- Number of *Bids* placed in *Auction*
- Price curves.

Each *Auction Participant* in a specific *Auction* shall visit the *Auction ePortal* after the publication of results on the *Auction Office* webpage (www.e-trace.biz). The following data are available by 18:00 on the day on which deadline 3Y falls – with the exception of a change of this time closure according to a business day regime change (see Article 5.1). – for the *Auction Participant* in *Auction ePortal* – for *Bids* submitted to a specific *Auction* by *Auction Participant* and evaluated.

- Period of reservation.
- Specification of *Commercial Profile* and direction.
- *Promise of Capacity* to the *Auction Participant* for Reservation Period in MW.
- Reservation Subperiod(s)

- *Promise of Capacity* to the *Auction Participant* in MW in *Reservation Subperiod(s)*
- *Auction Price* in EUR/MW.
- Payment for the reservation of *Promises of Capacity* in EUR, rounded to two decimal places.

Section 7

Specific Rules for Monthly Auction

The specific rules for monthly *Auction* organised electronically in the *User* environment of the *Auction ePortal* set forth by this Section may be replaced in case of technical problems with electronic solution identified by Auction Office by alternative rules specified by Annex 9. Information about use of alternative monthly *Auction* procedure according to Annex 9 may be published by 12:00 on the last *Working Day* before the day on which the deadline 2M falls (see Annex 3). Information shall be published on the Auction Office webpage (www.e-trace.biz). Furthermore *Auction Office* will notify use of alternative monthly *Auction* procedure to all *Auction Participants* by message in *Auction ePortal* and by e-mail.

Article 7.1

Bids for the Reservation of Capacity in Monthly Auction

The *Auction Office* will organize and execute the coordinated *Auction* of the monthly available *Capacity* electronically in the *User* environment of the *Auction ePortal*.

Monthly *Auctions* will be held in dates according to Annex 3.

Each Bid submitted to the monthly Auction must contain the following unambiguous and legible specifications:

- a) The identification of the *User*.
- b) The specification of the *Commercial Profile* and transmission direction.
- c) The month to which the *Bid* refers.
- d) *Bids* with following specifications:
 - i. The amount of the *Capacity* to be allocated in MW without decimals; the minimum amount of a single *Bid* is 1 MW; the maximum amount of a single *Bid* is, equal to the *Offered Capacity* for the *Technical Profile(s)*, which includes the given *Commercial Profile*, and at the same time does not exceed 50 MW.
 - ii. The *Bid Price* in EUR/MW with a maximum of two decimals. The *Bid Price* has to be equal to or more than zero. The *Bid Price* of each two *Bids* presented on one *Bid Sheet* must not be identical.

Each *Auction Participant* shall deliver its *Bids* in the *Auction ePortal* by the deadline 2M for the monthly *Auction* (deadlines are specified in Annex 3), with the exception of changing of the time closure according to a business day regime change (see Article 5.1).

Article 7.2

Auction Proceeding

All *Bids* which fulfil the above-mentioned requirements will be evaluated, and the preliminary *Auction Price* will be determined in accordance with the rules stated in Section 4.

For each *Auction Entity* the outstanding liability given by the preliminary result of the *Auction* (the preliminary *Auction Price* and preliminary *Promises of Capacity*) will be checked with the *Auction Entity's unutilised Credit Limit*. If the outstanding liability of the *Auction Entity* for the monthly *Auction* rounded to two decimal places exceeds the *Auction Entity's unutilised Credit Limit*, all *Auction Participants' Bids* of relevant *Auction Entity* shall be excluded and shall not be included among the assessed *Bids*.

The procedure determined in the previous paragraph will be repeated if the outstanding liability of any of the *Auction Entities* for the monthly *Auction* rounded to two decimal places, exceeds its *Auction Entity's unutilised Credit Limit*.

After excluding all *Auction Participants' Bids* of all *Auction Entities* due to an insufficient level of *unutilised Credit Limit* and after re-evaluating the preliminary result of the *Auction* according to Article 4.3, all *Linked Bids* of all *Auction Participants* are evaluated according to Article 4.4.

In case there are no newly recognised technical limitations of *Capacity*, any remaining *Capacity* in the monthly *Auctions* will be offered in the daily *Auctions*.

Article 7.3

Notification of the Results of an Auction

The *Auction Office* publishes results of monthly *Auction* on the *Auction Office's* webpage (www.e-trace.biz) for each *Commercial Profile* and direction by the deadline 3M. Deadlines are specified in Annex 3:

- Total *Promise of Capacity*
- Total requested *Capacity*
- *Auction Price*
- Number of *Auction Participants* in *Auction*
- Number of *Bids* placed in *Auction*
- Price curves.

Each *Auction Participant* in a specific *Auction* shall visit the *Auction ePortal* after the publication of results on the *Auction Office* webpage (www.e-trace.biz). The following data are available by 15:00 on the day on which deadline 3M falls – with the exception of a change of this time closure according to a business day regime change (see Article 5.1). – for the *Auction Participant* in *Auction ePortal* – for *Bids* submitted to a specific *Auction* by *Auction Participant* and evaluated.

- Period of reservation.
- Specification of *Commercial Profile* and direction.
- *Promise of Capacity* to the *Auction Participant* for Reservation Period in MW.
- Reservation Subperiod(s)

- *Promise of Capacity* to the *Auction Participant* in MW in *Reservation Subperiod(s)*
- *Auction Price* in EUR/MW.
- Payment for the reservation of *Promises of Capacity* in EUR, rounded to two decimal places.

Section 8

Specific Rules for Daily Auction

The *Auction Office* will organize and execute the coordinated *Auction* of the daily available *Capacity* electronically in the *User* environment of the *Auction ePortal*.

Daily *Auctions* will be held daily (Monday – Sunday).

Article 8.1

Bids for the Reservation of Capacity in Daily Auction

Each *Bid* submitted to the daily Auction must contain the following unambiguous and legible specifications:

- a) The identification of the *User*.
- b) The specification of the *Commercial Profile* and transmission direction.
- c) The day to which the *Bid* refers.
- d) For each hour of the day, *Bids* with the following specifications:
 - i. The amount of the *Capacity* to be allocated in MW without decimals, minimum amount of a single *Bid* is 1 MW, maximum amount of a single *Bid* is, in each hour, equal to the *Offered Capacity* for the *Technical Profile(s)*, which includes the given *Commercial Profile*, and at the same time does not exceed 50 MW.
 - ii. *Bid Price* in EUR/MW with a maximum of two decimals. *Bid Price* has to be equal to zero or more than zero.
- e) Optional indication of the divisibility or indivisibility of the requested *Capacity*.

Only *Auction Participants* fulfilling the prerequisites for use of the *Capacity* on the given *Commercial Profile* (see Section 10) may take part in the daily *Auction* on this *Commercial Profile*.

Each *Auction Participant* shall deliver its *Bids* in the period starting with the *Offered Capacity* publication until 09:45 in the *Auction ePortal*, with the exception of changing of the time closure according to a business day regime change (see Article 5.1).

Article 8.2

Auction Proceeding

In the event the *Offered Capacities* of a daily *Auction* cannot be published by 09:45 due to any operational change (see Article 5.1), the daily *Auction* for this day and the *Technical Profiles/Commercial Profiles* concerned will not be organised, and no compensation may be claimed by the market participant.

All *Users* of the *Auction ePortal* will be informed, without undue delay, of the actual operational situation.

If the *Auction ePortal* and/or the website <http://www.e-trace.biz> is interrupted and/or suspended before the *Offered Capacities* for the daily *Auction* are published, the daily *Auction* will not be organised. The *Auction Office* shall undertake all commercially-reasonable efforts to avoid instances when a daily *Auction* is not organized or cancelled.

Each set of the *Bids* received by the *Auction ePortal* is automatically assigned a number by the electronic system. That number is part of the receipt confirmation, and it must always be used for identifying the set of the *Bids* during communication with the *Auction Office*.

Daily *Auction Bids* submitted by all *Auction Participants* representing one *Auction Entity* are accepted separately in delivery sequence based on the time of delivery, up to the level of the *unutilised Credit Limit*. Each set of *Bids* delivered in one data file to the *Auction ePortal* exceeding the *Auction Entity's unutilised Credit Limit* shall be excluded and shall not be included among the *Bids* assessed in the daily *Auction* concerned.

Bids which do not fulfil any of the requirements stated in the *Auction Rules* shall be excluded and shall not be included among the assessed *Bids*. *Bids* are evaluated according to Article 4.3 before the start of *Implicit Auction* or according to Article 4.7 after the start of *Implicit Auction* and after that *Linked Bids* are evaluated according to Article 4.4.

All *Bids* which fulfil the above-mentioned requirements will be evaluated, and the *Auction Price* will be determined in accordance with the rules stated in Section 4.

Article 8.3 Results of an Auction

The *Auction Office* will publish only aggregate results of the daily *Auction* procedure daily at 10:00 – with the exception of a change of this time closure according to a business day regime change (see Article 5.1). This will be done through the *Auction ePortal* and on the website of the *Auction Office* <http://www.e-trace.biz>.

- Date and period of reservation.
- Specification of *Commercial Profile* and direction.
- Sum of *Capacity* requested by the *Auction Participants* for each hour in MW.
- Sum of *Allocated Capacity* to the *Auction Participants* for each hour in MW.
- *Auction Price* for each hour in EUR/MW.

Each *Auction Participant* in a specific *Auction* shall visit the *Auction ePortal* after 10:00 on the relevant *Auction* day. The following data are available after 10:00 – with the exception of a change of this time closure according to a business day regime change (see Article 5.1). – for the *Auction Participant* in *Auction ePortal* – for each *Commercial Profile* and direction on which his *Bids* were evaluated.

- Date and period of reservation.
- Capacity agreement identification - CAI code (see <http://www.edi.ets-net.org>).
- Specification of *Commercial Profile* and direction.

- *Allocated Capacity* to the *Auction Participant* for each hour in MW.
- *Auction Price* for each hour in EUR/MW.

If the results of the daily *Auction* are not published until 10:15 due to any operational change (see Article 5.1), the daily *Auction* will be cancelled for that day and the *Technical Profiles/Commercial Profiles* concerned; and no compensation may be claimed by the market participant.

All relevant *Users* of the system *Auction ePortal* will be informed, without undue delay, of the interruption and/or suspension of the system *Auction ePortal*.

Section 9 Payment

Article 9.1 General provisions

The date of payment or settlement of payment is the date upon which the given amount is credited to the account of the *Auction Office*.

Invoices have to be paid no later than on the due date stated on the invoice, free of charge and without deduction. The *Auction Entity* shall not be entitled to offset any amount, or withhold any debts arising in connection with obligations resulting from an *Auction*, against any claims of the *Auction Office*, whether or not arising out of an *Auction*. Nevertheless, the right to offset is not excluded in case of legally binding judgements.

The *Auction Office* will invoice the *Auction Entity* for amounts due resulting from the Promise of *Capacity* to all *Auction Participants* registered in the *Auction Office* by the *Auction Entity*, rounded to two decimal places. The *Auction Office* will adjust the amount due in case there are increases or decreases, or the introduction or abolition of taxes, duties, or other comparable situations.

Original invoices are sent to the *Auction Entity* concerned by mail. Copies of the invoices are sent by fax, at the latest, one *Working Day* after the issue date of the invoice.

All bank fees connected with the payments resulting from participation in *Auction* procedure have to be paid by the *Auction Entity*.

In case of delayed payment, the *Auction Office* is entitled to charge interest rates on the amount due for each day which has commenced during the delay. The daily interest rate is set regularly on the first *Working Day* of each calendar month of the year as a fixed amount equalling (3M EURIBOR + 3) percent/365.

Information on payments received is processed - as a basic principle - by the *Auction Office* to the *Auction Entity* until 09:00 of the day following the date of payment.

If the data on payments received are not processed by 09:00 of the day following the date of payment because of, for instance, any technical difficulties of the *Auction Office*, the amount due may be considered as paid for the purpose of releasing the *utilised* part of the *Credit Limit*.

Based on the information on payments settled by the *Auction Entity*, the *utilised* part of the *Credit Limit* of the *Auction Entity* will be released (see Article 3.2).

Each payment is identified by the payment identification number, which is the number of the invoice. The payments shall match the amount of the debt (*i.e.* the amount indicated on the relevant issued invoices) via the payment identification number stated as number on the invoice and the invoiced/paid amount. In case the amount of the payment and/or payment identification number of the payment differs from the invoiced data, the debt is considered as

unpaid until its final manual clearance. The processing deadline of 09:00 is not relevant for the *Auction Office* in this case.

The relevant currency for invoicing is EUR.

The subject of the invoice is the “reservation of the transmission capacities” separately for each *Commercial Profile*.

As according to Czech law it is “a service connected to transmission respectively to transport of electricity between EU member states”, the following VAT mode will be used:

- Mode of the “Reverse charge mechanism” – in case the *Auction Entities* declare their VAT registration in a EU Member State (with the exception of the Czech Republic). In this mode, the *Auction Entities* must provide the *Auction Office* with their European VAT Number and are obliged to settle the VAT with the respective national tax office.
- VAT as given by Czech law mode (currently 19%) – in case the *Auction Entities* declare their VAT registration in the Czech Republic or declare their VAT registration in a state which is not an EU Member State, or do not declare any VAT registration. In this mode, the *Auction Office* will charge VAT on the payment and will show it separately on the invoice.

Each *Auction Entity* is obliged to provide the *Auction Office* with information for justifying whether or not he has a permanent establishment (“stálá provozovna“) in the Czech Republic for VAT purposes. Any changes throughout the year concerning the permanent establishment shall be made known promptly to the *Auction Office*. The *Auction Entity* shall be liable with respect to any sanctions, penalties, or charges that may be imposed by the Czech financial authorities on the *Auction Office* for incorrect tax treatment.

Article 9.2 Payment for Yearly Auction

Payment for the allocation of auctioned *Capacity* for a particular *Commercial Profile* will take the form of invoices in twelve equal monthly amounts/instalments rounded to two decimals. Each amount is to be paid for the following month in advance. Each monthly amount has to be paid based on the invoice issued by the *Auction Office*.

Following the payment of each monthly amount, the respective *Capacity* is allocated for the following calendar month.

The monthly invoice is issued by the deadline 4Y for the relevant month (see Annex 3). The due date of the invoice shall be the deadline 5Y for the relevant month (see Annex 3).

The *Auction Entity* is entitled to ask the *Auction Office* after a successful yearly *Auction* for an earlier invoice at any time, but under the consideration of a necessary handling time.

If the payment is not settled by the due date, the *Auction Office* will warn the *Auction Entity* on the following calendar day by fax or by e-mail that the payment of the invoice has not been credited to the account of the *Auction Office*.

If the payment is not received by the deadline 6Y for the relevant month (see Annex 3):

- *The Capacity* promised to the *Auction Participant* will be allocated for the following month, on the date of deadline 6Y for the relevant month (see Annex 3).
- *The Auction Office* immediately exercises the bank guarantee/deposit/promissory note, in case of an *Auction Entity* with a bank guarantee/deposit/promissory note.
- *The Auction Office* notifies the *Auction Entity* that the bank guarantee/deposit/promissory note has been exercised and that the *Credit Limit* must be increased to keep the *Promise of Capacity* gained by *Auction Participant* in the yearly *Auction* valid – in case of an *Auction Entity* with a bank guarantee/deposit/promissory note. In case of an *Auction Entity* with a rating, the *Auction Office* will initiate proceedings according to Article 13.4.
- The participation of all *Auction Participants* registered by the *Auction Entity* in *Auctions* will be suspended until the date when all due payments of the *Auction Entity* are settled.

In case the overdue invoice resulting from the yearly *Auction* is not received by the deadline 6Y for the relevant month (see Annex 3) and/or the *Credit Limit* is not increased by the last *Working Day* of the same month, the *Auction Office* will not be obliged to allocate the *Capacity*, and the *Auction Participant* loses the *Promise of Capacity* gained by way of the yearly *Auction* for the rest of the remaining months of the year. The released *Capacity* will be included in the *Offered Capacities* in subsequent *Auctions*.

Article 9.3

Payment for Monthly Auction

Payment for the allocation of *Capacities* will take the form of an invoice for the monthly amount. Each amount is to be paid in advance. Each amount has to be paid based on the invoice issued by the *Auction Office*.

The invoice is issued by the deadline 4M for the relevant month (see Annex 3). The due date of the invoice shall be the deadline 5M for the relevant month (see Annex 3).

If the payment is not settled by the due date, the *Auction Office* will warn the *Auction Entity* on the following *Working Day* by fax or by e-mail that the payment of the invoice has not been credited to the account of the *Auction Office*.

If the payment is not received by the deadline 6M for the relevant month (see Annex 3):

- *The Capacity* promised to the *Auction Participant* will be allocated on the date of deadline 6M for the relevant month (see Annex 3).
- *The Auction Office* immediately exercises the bank guarantee/deposit/promissory note, in the case of an *Auction Entity* with a bank guarantee/deposit/promissory note.
- *The Auction Office* notifies the *Auction Entity* that the bank guarantee/deposit/promissory note has been exercised, in case of an *Auction Entity* with guarantee/deposit/promissory note. In case of an *Auction Entity* with a rating, the *Auction Office* will initiate proceedings according to Article 13.4.

- The participation of all *Auction Participants* registered by the *Auction Entity* in *Auctions* will be suspended until the date when all due payments of the *Auction Entity* are settled.

Article 9.4

Payment for Daily Auction

Payment for the reservation of *Capacities* will take the form of an invoice for the monthly amount. The amount is to be paid for the preceding month. The amount has to be paid based on the invoice issued by the *Auction Office*.

The invoice includes all daily *Auction* payments and is issued by the deadline 1D for the relevant month (see Annex 3). The due date of the invoice shall be the deadline 2D for the relevant month (see Annex 3).

If the payment is not settled by the due date, the *Auction Office* will warn the *Auction Entity* on the following *Working Day* by fax or by e-mail that the payment of the invoice has not been credited to the account of the *Auction Office*.

If the payment is not received by the deadline 3D for the relevant month (see Annex 3):

- *The Auction Office* immediately exercises the bank guarantee/deposit/promissory note.
- *The Auction Office* notifies the *Auction Entity* that the bank guarantee/deposit/promissory note has been exercised.
- The participation of all *Auction Participants* registered by the *Auction Entity* in *Auctions* will be suspended until the date when all due payments of the *Auction Entity* are settled.

Section 10

Use of the Allocated Capacity

Article 10.1

National Commercial Terms and Conditions

The *Allocated Capacity* may only be used by the *Auction Participant* if the *Auction Participant* fulfils the “1:1” – system and the prerequisites for cross-border transmission network use on the given *Commercial Profile*.

The TSOs set the following prerequisites for using *Allocated Capacity* and for using their transmission networks:

- **On CEPS side** - A valid and effective Agreement concerning the Accession to Trading Terms and Conditions for Cross-border Transmission through the Transmission System in the Czech Republic.
- **On TPS side** - A valid and effective balancing contract with TPS.
- **On PSE-O side** – A valid and effective agreement for transmission services defining in particular cross – border exchange participation conditions.
- **On SEPS, a.s. side** – A valid and effective Agreement on Electricity Transmission through Connecting Lines, Agreement on Assessment and Settlement of Deviations.
- **On VE-T side** – A valid and effective balancing contract with VE-T.

Article 10.2

“1:1” – System

The “1:1” – system is based on one *EIC-Codes* nomination. Each of the *Auction Participants* (identified with *EIC-Code*) representing the *Auction Entity* may only constitute one “1:1” couple with respect to a specific *Commercial Profile*.

The particular *Commercial Profile* is labelled “A-B” / “B-A” in the example below, where A and B are labels of TSOs which are connected through the given *Commercial Profile*.

“1:1” – system prerequisites for conclusion of cross-border transmission on *Commercial Profile* “A-B” may be fulfilled in two ways described below:

- a) Auction Participant X1 (Auction Entity X with registered EIC-Code X1) – Auction Participant X1 (Auction Entity X with registered EIC-Code X1)
 - i. *Auction Participant* X1 fulfils the conditions of both concerned TSOs, as stated in Article 10.1 for the use of *Capacity* and for the use of their transmission networks (TSO A and TSO B), i. e. *Auction Participant* is recognised in both *Control Areas* as a party responsible for submitting schedules to TSOs.
- b) *Auction Participant* X1 (Auction Entity X with registered *EIC-Code* X1) – *Auction Participant* Y1 (Auction Entity Y with registered *EIC-Code* Y1)*

- i. *Auction Participant X1* fulfils the conditions of one concerned TSO, as stated in Article 10.1 for the use of *Capacity* and for the use of the TSO's transmission networks (TSO A), i. e. *Auction Participant* is recognised in this *Control Area* as a party responsible for submitting schedules to TSO A, and
- ii. *Auction Participant Y1* fulfils the conditions of second concerned TSO, as stated in Article 10.1 for the use of *Capacity* and for the use of the TSO's transmission networks (TSO B), i. e. *Auction Participant* is recognised in this second *Control Area* as a party responsible for submitting schedules to TSO B, and
- iii. *Auction Participant X1* notifies his exclusive representative (*Auction Participant Y1*) for the *Commercial Profile* "A-B", i. e. his exclusive representative in TSO B networks, and
- iv. *Auction Participant Y1* notifies his exclusive representative (*Auction Participant X1*) for the *Commercial Profile* "A-B" in TSO A networks.

*) In case of b), at least one of the exclusive representatives has to be a registered *Auction Participant*.

The *Auction Office* will carry out the registration of the *Auction Participants* who fulfil "1:1" - system prerequisites for all *Commercial Profiles* (hereinafter 1:1 couple). The registration is possible only for whole calendar months. The *Auction Participant* (in case of Letter a)) or the *Auction Participant* and his exclusive representative together (in case of Letter b)) have to deliver by fax a notification (see Annex 14) with the specification of required validity and efficiency of the exclusive representation registration by 12:00 of the 5th *Working Day* before the 1st day of the calendar month for which notification/registration should be valid. The registration fax number is stated in Annex 2. Rules for change of the already registered 1:1 couple are the same as those for the registration of a 1:1 couple as determined above in this paragraph.

1:1 couples may be registered in an additional registration mode. In the additional mode of the 1:1 couples registration, the *Auction Office* will accept the notifications delivered by 12:00 of the 5th *Working Day* before the 1st day of the remaining part of a calendar month for which notification/registration should be valid. The *Auction Office* will accept the notifications delivered in the additional mode on the condition that none of the EIC codes (EIC codes of exclusive representatives stated in notification) was registered in "1:1" – system for the given calendar month and *Commercial Profile*. Therefore, the *Auction Participant* is not entitled to change its already registered 1:1 couple in the additional mode for the given calendar month. The registration requested in the additional mode is valid, at least, until the end of the calendar month in which the validity begins. In confirmation of the registration of 1:1 couples notified in the additional mode, the *Auction Office* will specify the beginning of the validity period. In case of a notification delivered by 12:00, the validity period begins on the 5th *Working Day* after the notification delivery. In case of a notification delivered after 12:00, the validity period begins on the 6th *Working Day* after the notification delivery.

If the requirements stated in this article are fulfilled, the *Auction Office* shall confirm the registration to the concerned *Auction Participant*, or *Auction Participant* and his exclusive representative, and the registration of the exclusive representation becomes valid.

The *Auction Office* registers the 1:1 couple after checking whether the EIC Codes notified in the 1:1 couple are published on the ETSO webpage (<http://www.etsonet.org/activities/edi/eic/cds/area.htm>).

Exemption:

SEPS, a.s. accepts the identification of market participant only by one EIC code. It means, that market participant which is either the user of SEPS, a.s. network or the partner of some user of SEPS, a.s. network (within 1:1 couple) can use only one EIC code for registration on SEPS, a.s. *Commercial Profiles*. In other words, the *Auction Office* may not register, for one legal entity in 1:1 system, more EIC codes on the side of SEPS, a.s. *Commercial Profiles*

With regard to the above-mentioned rules of SEPS, a.s., the *Auction Office* may register only 1:1 couples on the Commercial Profiles CEPS – SEPS, a.s., PSE-O – SEPS, a.s. where both representatives of 1:1 couple – legal entities – are separately identified on the given *Commercial Profile* by just one EIC code, meaning that the *Auction Office* may not register, for one legal entity, more 1:1 couples on the above-mentioned *Commercial Profiles*.

Article 10.3 Scheduling

The use of the *Allocated Capacities* in compliance with the requirements stated in Article 10.1 and 10.2 takes place by delivery of fixed schedules to the concerned TSOs in accordance with individual national market rules of each TSO valid at the time of delivery.

Bordering TSOs compare/match delivered individual fixed schedules on individual common borders. In case that there is a difference in notified schedules (transmission) the lower value for respective direction of the delivered values is decisive – with exemption for:

- *Commercial Profiles* CEPS-TPS and CEPS-VE-T where schedules received by CEPS are decisive.
- *Commercial Profile* PSE-O-VE-T where schedules received by PSE-O are decisive.

As of October 2008, the time limits are as follows:

- a) In case of *Allocated Capacity* from the yearly and monthly *Auction*, the schedules must have been received for the following day:

CEPS	by 08:00
TPS	see Note*
PSE-O	by 07:45
SEPS, a.s.	by 07:45
VE-T	see Note**

Note*: Schedules concerning *Commercial Profiles* CEPS-TPS must have been received only by CEPS – common scheduling.

Note**: Schedules concerning *Commercial Profile* PSE-O-VE-T must have been received only by PSE-O – common scheduling. Schedules concerning *Commercial Profile* CEPS-VE-T must have been received only by CEPS – common scheduling.

Modifications of schedules after this time are prohibited. The use is based on the principle "use it or lose it" with exception of specific case set forth by Article 10.4.

This means that *Allocated Capacity* which is not used by fixed schedules at this moment or confirmed as *Capacity* to be reserved for deliveries of balancing energy (see Article 10.4) will be made available to all market participants under the daily *Auction* procedure.

- b) In case of *Allocated Capacity* from the daily *Auction*, the schedules must have been received for the following day:

CEPS	by 13:00
TPS	by 14:30 - Note***
PSE-O	by 13:00
SEPS, a.s.	by 13:00
VE-T	by 14:30 - Note****

Note***: The total schedules, including the values notified in the schedules to CEPS until 08:00, on the *Commercial Profiles* CEPS-TPS must have been received by TPS.

Note****: The total schedules, including the schedules notified to CEPS until 08:00, on the *Commercial Profile* CEPS-VE-T must have been received by VE-T. The total schedules, including the schedules notified to PSE-O until 07.45, on the *Commercial Profile* PSE-O-VE-T must have been received by VE-T.

Modifications of schedules after this time are prohibited. The use is based on the principle "use it or lose it". This means that reservations which are not used by fixed schedules at this moment will fall back to the TSOs. The transmission capacity which was not allocated in the daily *Auction* and the capacity which falls back to TSOs may be further used through concerned TSOs.

Article 10.4

Use of the Allocated Capacity for Deliveries of Balancing Energy

This Article is applicable only for Commercial Profiles CEPS-SEPS, a.s. and CEPS – PSE-O and PSE-O-SEPS, a.s.

In order to extend possibilities of TSOs to ensure safe and reliable operation of transmission system, i.e. also firmness of *Allocated Capacities*, specific rules for *Capacities* used for deliveries of balancing energy have been adopted.

Monthly or yearly *Allocated Capacity* confirmed to be reserved for deliveries of balancing energy is not subject of principle "use it or lose it" (see Article 10.3. Letter a)).

Pre-requisites for confirmation of *Allocated Capacity* to be reserved for deliveries of balancing energy are as follows:

- a) *Auction Participant* has been chosen for providing of ancillary services organised according to national market rules by a *TSO* participating in this coordinated *Auction* procedure for specified time period and
- b) *Auction Participant* has concluded with the *TSO* appropriate agreements for deliveries of ancillary services from abroad and
- c) time period according to Letter a) above of this Article shall be specified in Notification of Capacity Reservation for Balancing Energy Deliveries and has to comprise at least 7 successive calendar days and
- d) amount of *Allocated Capacity* to be confirmed to be reserved for deliveries of balancing energy has to be the same for all hours in the time period and
- e) *Auction Participant* together with the *TSO* has to inform the *Auction Office* of the planned use of the *Allocated Capacity* for deliveries of balancing energy by delivery of the Notification of Capacity Reservation for Balancing Energy Deliveries (see Annex 10) no later than 12:00 of the 5th *Working Day* before the start of time period according to Letter a) above of this Article. Notification of Capacity Reservation for Balancing Energy Deliveries has to be delivered to the *Auction Office*'s address, to the filing office or reception of the *Auction Office* or to the fax number assigned for Notification of Capacity Reservation for Balancing Energy Deliveries introduced in the Annex 2. Confirmation of *Allocated Capacity* to be reserved for deliveries of balancing energy becomes effective with the receipt of the *Auction Office*'s confirmation of the notification registration by both *Auction Participant* and the *TSO* by fax.

TSOs reserve their rights to change their respective national commercial requirements for the use of the *Allocated Capacities* determined in Section 10.1.

Section 11

Transfer of Allocated Capacities

The *Capacity* transfer will be provided via the *Auction ePortal* for *Capacity* allocated in yearly or monthly *Auctions*. Only *Allocated Capacity* is freely transferable.

Capacities allocated by way of daily Auctions cannot be transferred to other Auction Participants.

Both *Auction Participants*, i.e. *transferor* and *transferee*, have to fulfil prerequisites for accessing the *Auction ePortal* as stated in Article 5.2.

Both *Auction Participants*, i.e. *transferor* and *transferee*, accept that all rights and obligations resulting from these *Auction Rules* (with exception of payment for the allocation of *Capacity* obligation) are transferred together with the *Capacity*, and the *transferor* is a guarantor. It concerns also the right for compensation according to Article 12.2.

The *Auction ePortal* contains information on the *Allocated Capacity* of each *Auction Participant*. All *Capacity* appearance (auction, transfer) is stored and identified by a unique number and date of appearance.

The *Auction Participant* who possesses *Allocated Capacity*, is allowed to transfer the *Allocated Capacity* to another *Auction Participant* on a self-service basis. *Auction Participants* willing to assign *Allocated Capacity* to another *Auction Participant* representing the same *Auction Entity* is entitled to transfer it in accordance with the rules stated in this Section 11.

The *Allocated Capacity* can be transferred on an hourly basis.

Auction Participants who want to transfer *Allocated Capacity* may offer a *Capacity* transfer in any time period, and any amount, through the *Auction ePortal* to other *Auction Participant*. An *Allocated Capacity* transfer should be confirmed in the *Auction ePortal* by a transferee within 4 hours, and by D-2 14:00 at latest; otherwise, the transfer is cancelled and the capacity remains with the *transferor*.

All *Allocated Capacity* transfer history on any “Capacity account” will be stored.

If an *Auction Participant* submits an offer for *Allocated Capacity* transfer according to the rules stated in this Article, the *Auction Office* will confirm the receipt of the offer. In case of any failure, the offer for transfer will be refused, and the *Auction Participant* will be informed of the reasons for refusal.

The confirmation of receipt of the offer is the decisive criterion in meeting the time limit.

Both *Auction Participants*, *transferor* and *transferee*, receive a confirmation of the validity of the transfer. In case of any failure, the transfer will be refused, and both *Auction Participants* will be informed of the reasons for refusal.

The procedure set forth by the Section 11 applies also for transfer of *Capacity* to TSO used as alternative to curtailment – see also Section 12.

Section 12

Capacity Curtailment

Concerned TSOs have committed themselves vis-à-vis *Auction Office* to guarantee the *Allocated Capacity* with the exception of cases set forth in this Article. This means the *Offered Capacity* may be curtailed before the announcement of *Auction* results, and the curtailment shall not be the subject of any compensation.

Capacity allocated in the *Auction* may be curtailed for any individual or all hours of a day in *Emergency Situations* where the TSO must act in an expeditious manner or in case of *Force Majeure* or other circumstances, the elimination of which is not feasible for the affected *TSO*.

In *Emergency Situations* and/or to prevent *Emergency Situations* concerned TSO may buy back an *Allocated Capacity* (allocated in monthly and/or yearly *Auction*) as alternative to curtailment. The transfer of *Capacity* as result of buying back the *Allocated Capacity* shall be notified to the *Auction Office* according to Section 11. The selection of *Auction Participants* (transferors) and other conditions of *Capacity* transfer which are not set forth by *Auction Rules* are out of scope of *Auction Rules*.

Article 12.1

Priority Order for Capacity Curtailment

In case of Capacity Curtailment, the following curtailment order will be used:

- a) *Capacity* transferred to TSOs (see also Section 11).
- b) *Allocated Capacity* in daily *Auctions*.
- c) *Promise of Capacity* or *Allocated Capacity* in monthly *Auctions* (the amount of *Capacity* transferred to TSO is excluded from group c)).
- d) *Promise of Capacity* or *Allocated Capacity* in yearly *Auctions* (the amount of *Capacity* transferred to TSO is excluded from group d)).

Within each of the above-listed groups of *Capacities*, proportional curtailment of *Capacity* will be used. Any *Capacity* which remains to *Auction Participant* after the proportional curtailment is rounded down to entire MWs.

The *Auction Entity* represented by the *Auction Participant* whose *Capacity* has been curtailed shall be compensated in accordance with Article 12.2.

Capacity curtailment is announced by the *Auction Office* based on the decision of a TSO (if the curtailment is not announced by the *Auction Office*, the *Auction Participants* will be informed by the affected TSO.) *Auction Office* informs immediately all *Auction Participants* by message in *Auction ePortal* about date, duration and extension of curtailment and about the necessity of new submission of corrected electricity exchange schedules on affected *Commercial Profiles* using adapted *Allocated Capacity* after curtailment.

The *Auction Office* will notify by e-mail without undue delay each *Auction Participant* whose Capacity (acquired by its participation in Auction or via Capacity transfer) has been curtailed and attempt to inform such an *Auction Participant* about the same also by phone.

Each TSO is responsible for the execution/curtailment of submitted schedules in accordance with the individual national market rules. The message notifying curtailment will be published by the *Auction Office* in *Auction ePortal* by following deadlines:

- a) For *Allocated Capacity* in daily *Auctions* – has to be published by 11:30 of the day when the *Capacity* has been allocated.
- b) For *Promise of Capacity* or *Allocated Capacity* in monthly or yearly *Auctions* – has to be published by 07:30 on the last calendar day before the day for which the *Capacity* has been curtailed.

If the situation in the transmission system is improved before the announced end of curtailment, the TSO may adapt duration and extension of curtailment. Modification of duration and/or extension of curtailment is announced by *Auction Office* based on decision of the TSO. *Auction Office* shall offer the curtailed part of the *Allocated Capacity* back to the curtailed *Auction Participants* by 14:00 on the last *Working Day* before the day on which falls the deadline for scheduling (see Section 10). Price for reservation of such offered *Capacity* is equal to compensation price. *Auction Participant* may fully accept or fully reject the offer – partial acceptance is not possible. If the offer to return back the curtailed *Capacity* is not accepted by the *Auction Participant*, *Capacity* may be offered in daily *Auction*.

Article 12.2

Compensation for Allocated Capacity Curtailment with Liquidated Damages

Compensation for curtailment of the *Allocated Capacity* for a given hour, *Commercial Profile* and direction is determined as liquidated damages in compliance with following procedure:

$$\text{Compensation Y} = \frac{\text{Auction Price (Y, CP, DR)} * \text{Allocated Capacity_F (Y, CP, DR)}}{\text{T_F (Y, CP, DR)} * \text{Allocated Capacity_F (Y, CP, DR)} + \sum_{\text{Reservation Subperiods}} \text{T_R (Y, CP, DR)} * \text{Allocated Capacity_R (Y, CP, DR)}}$$

$$\text{Compensation M} = \frac{\text{Auction Price (M, CP, DR)} * \text{Allocated Capacity_F (M, CP, DR)}}{\text{T_F (M, CP, DR)} * \text{Allocated Capacity_F (M, CP, DR)} + \sum_{\text{Reservation Subperiods}} \text{T_R (M, CP, DR)} * \text{Allocated Capacity_R (M, CP, DR)}}$$

$$\text{Compensation D} = \text{Auction Price (Hour, Daily Auction, CP, DR)}$$

Note:

Y Yearly Auction
M Monthly Auction
D Daily Auction
CP Commercial Profile
DR Direction
Allocated Capacity_F Total Allocated Capacity for a specific Auction
T_F Number of hours for which “Allocated Capacity_F” has been allocated
Allocated Capacity_R Total Allocated Capacity in specific Auction for Reservation Subperiod
T_R Number of hours for which “Allocated Capacity_R” has been allocated

See also example in Annex 7.

In the case of curtailment, each *Auction Entity* represented by the *Auction Participant* whose *Capacity* has been curtailed will be compensated by the *Auction Office* with liquidated damages, as a compensation for each curtailed MW of the *Allocated Capacity* and for each hour of the curtailment.

The *Auction Office* will also without undue delay inform each relevant *Auction Entity* represented by an *Auction Participant* about scope of curtailment and about the amount of liquidated damages to be paid. *Auction Entity* shall issue an invoice for the compensation with liquidated damages for the amount notified by *Auction Office* which shall be settled by the 5th *Working Day* after the delivery of the original invoice to the *Auction Office*.

The *Auction Office* will pay the compensation through an amount of liquidated damages based on the invoice issued by the *Auction Entity* in case of *Allocated Capacity*. Any further compensation with respect to such damages shall be excluded.

Section 13 Miscellaneous

Article 13.1

Liability

The *Auction Office* shall be liable for damage caused by gross negligence or wilful misconduct of the *Auction Office*. In such a case the following rules apply: Claims for damages arising out of or related to these *Auction Rules* are limited to the damages typical and foreseeable. The *Auction Office* shall not be liable for any loss of profit, loss of business, or any other indirect incidental, special or consequential damages of any kind. The liability of the *Auction Office* shall be limited to € 10 000 in total for an *Auction Entity* and a year.

The same limitations apply to CEPS (in its function as TSO), TPS, PSE-O, SEPS, a.s. and VE-T, should they be considered liable despite the fact that the contract is concluded between the *Auction Office* and the *Auction Entity*. In this case, the limit of € 10 000 counts for the Auction Office, CEPS (in its function as TSO), TPS, PSE-O, SEPS, a.s. and VE-T together.

The amount of Liquidated damages paid according to article 12.2 is excluded from above mentioned limitation.

The *Auction Office* undertakes to carry out its duties and comply with its obligations under these *Auction Rules* with the diligence of a specialised professional and as a responsible *Control Area* manager, in compliance with the applicable laws and regulations in the electricity sector. *TSOs* have undertaken a similar obligation vis-à-vis *Auction Office*.

Article 13.2

Communication

The contact persons of *Auction Office* appointed for communication are listed in Annex 2. The *Auction Office* and each *Auction Entity* have the right to change the list of contact persons.

The *Auction Office* shall announce each change on the *Auction ePortal* and inform *Auction Entities* by e-mail or by fax. The new contact details of *Auction Office* will be considered official on the *Working Day* following the transmission of the e-mail or the fax. The *Auction Entity* shall announce the change in accordance with Article 3.1 hereto.

These *Auction Rules* and all related notices, legal procedures, and communications thereunder, and the dispute settlement procedures provided in Article 13.4 of *Auction Rules*, shall be carried out in English, to the extent permitted by rules of public policy relating directly or indirectly to these procedures.

Unless stated otherwise in these *Auction Rules*, e-mail service shall be deemed effective at the time when the electronic message is confirmed to the sender as delivered to the recipient and/or the recipient acknowledges the receipt thereof.

In the event of difficulties in using e-mail, notices may be served by fax, hand delivery, courier or post; and the service will be deemed as effective on the date of receipt.

In case of any uncertainty, the *Auction Participants / Auction Entity* or the *Auction Office*, respectively, is entitled to ask the sending party to repeat the effort.

The entire communication with the *Auction ePortal* will be archived by the *Auction Office*. Telephone communication between the *Auction ePortal* Operators and *Auction ePortal Users* will be monitored and recorded by the *Auction Office*. Each *Auction Participant* and/or *Auction Entity*, as well as the *Auction Office*, undertakes herein not to dispute or claim as invalid any action carried out via the *Auction ePortal* in accordance with these *Auction Rules*, on the basis that the respective acts have been done in the form of an electronic data exchange. Furthermore, each *Auction Participant* and/or *Auction Entity*, as well as the *Auction Office*, state that they shall consider the *Auction Office* data logs from the databases of the *Auction Office* and/or any recordings of telephone conversations between the *Auction Office* and an *Auction ePortal User*, made in line with these *Auction Rules*, to be reliable evidence, unless it is proved otherwise.

A time stamp is attached to every message leaving the *Auction ePortal* or received by the *Auction ePortal*. The time stamp uses the system time as that from the *Auction ePortal*.

If the *Auction ePortal* or the website <http://www.e-trace.biz> is interrupted and/or suspended, all relevant *Users* of the *Auction ePortal* will be informed, without undue delay, of the interruption and/or suspension of the *Auction ePortal*.

Annex 13 determines communication with *Users* of the *Auction ePortal* in extraordinary situations.

Article 13.3

Data Security and Protection

Commercial data transferred from the *User* to the *Auction ePortal* via the Internet is secured by means of encryption (SSL). Every *User* has to have his own personal certificate to access the system. For every business data exchange, the standard PKI (Public key infrastructure) is used. This mechanism enables the authorization of transactions and retrospective identification of persons who entered data into the *Auction ePortal* or who executed specific operations. All operations done via the *Auction ePortal* system are registered with the information of the responsible *User* and time stamp.

Each *Auction Participant* undertakes to follow all the security rules specified in the *Auction Rules*. In particular, the *Auction Participant* undertakes to make sure that:

- The *Auction ePortal User* entitled to submit *Bids* keeps his private key in a manner so that no other person can get access to the key;
- The *Auction ePortal User* entitled to submit *Bids* shall use his private key and a certificate exclusively in line with the *Auction Rules* for communication;

- The *Auction ePortal User* entitled to submit *Bids* shall inform the *Auction Office* immediately of any disclosure or possible disclosure of his private key.

The *Auction Office* is entitled to process all data of the *Auction Participant / Auction Entity* and the *Auctions* and to send it to *TSOs* and to publish it according to the terms of these *Auction Rules*.

For the rest, *TSOs* undertake not to use or otherwise process the data they obtained pursuant to these *Auction Rules* for any purpose except those strictly required for the performance of the obligations hereunder. Also, they will not disclose any of the information or related information to any third party other than those of their directors, employees, professional advisors, and representatives, as well as regulatory authorities, which have a strict need to know the information for the proper performance of these *Auction Rules* and who are correspondingly bound in writing by the same strict obligations of confidentiality.

Nothing herein shall prevent *TSOs* from disclosing data (i) upon the order of any court or administrative agency, (ii) upon the request or demand of, or pursuant to any regulation of, any regulatory agency or authority, (iii) to the extent reasonably required in connection with the exercise or any remedy hereunder, (iv) to a party's legal counsel or independent auditors, and (v) to any permitted assignee hereunder, provided that such assignee agrees in writing to be bound by the provisions of these *Auction Rules*.

Article 13.4

Dispute resolution, venue and applicable law

These *Auction Rules* shall be governed by and construed in accordance with the laws of Austria, and this does not apply to conflict of law as well as by EU law, Directive 2003/54EC contents and Regulation 1228/2003 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 *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 his claim in detail including the identification of an article of the *Auction Rules* which has been breached. 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 connection with the *Auction Rules* shall be resolved to the exclusion of ordinary courts, 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). The parties concerned shall accept the award of the above-mentioned arbitrators as a final and binding, and the award may be entered in any court having jurisdiction or an application may be made to the court for juridical acceptance of the award and an order its enforcement, as the case may be. All costs and expenses incurred in connection with any arbitral proceedings hereunder shall be born by the losing party, except as provided otherwise in the arbitral award.

Prague shall be the venue for dispute resolutions between or among the *Auction Office* and *Auction Entities*.

Above mentioned provisions of this article have no impact to the right of the *Auction Participant* taking part in coordinated *Auctions* to file a complaint against a *TSO* which

refuses use of, or access to, the system to relevant Regulatory Authority in accordance with national law implementing the Article 23 Paragraph 5 of the Directive 2003/54/EC.

Article 13.5 Auction Rules Validity, Effectiveness and Changes

The *Auction Rules* are valid and effective for the allocation of *Capacity* in both directions of each of the *Commercial Profiles* set forth in Article 4.2 or set forth in Article 4.6 in case of daily *Auction* after the start of *Implicit Auction* in the year 2009.

After the start of daily *Implicit Auctions*, the allocation of transmission *Capacity* in daily *Auctions* under these *Auction Rules* will not be applied for the *Commercial Profile* CEPS – SEPS, a.s. and respective *Technical Profiles* (E, G) as described in Article 2.1.

With regard to expected development of the new *Capacity* allocation methodology within the CAO Central Allocation Office GmbH, the principles of the *Auction Rules* could be changed during the year 2009. *Auction Participants* will be informed well in advance about changes.

The *Auction Rules* and its prospective changes are - if required by national law - subject of Regulatory Authorities approval before it becomes valid.

If any provision of these *Auction Rules* is declared - in an arbitral, judicial or regulatory decision - to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected.

The same applies in case of an involuntary gap in these *Auction Rules*.

To avoid problems related to the potential use of dominant position of any market player, the relevant Regulatory and/or Competition Authorities, may impose additional restrictions in general or on an individual company on account of market dominance by common decision. For an individual *Commercial Profile* the relevant Regulatory and/or Competition Authorities are the Authorities of bordering countries, for an individual *Technical Profile* the relevant Regulatory and/or Competition Authorities are the Authorities of countries limited by the *Technical Profile* (e.g. for *Technical Profile A* the relevant Authorities are Authorities from Poland, Germany, Czech Republic and Slovakia, for *Technical Profile B* the relevant Authorities are Authorities from Germany, Poland and Czech Republic). The Auction Office and TSOs reserves the right to introduce such restrictions in the course of the year. Any such restriction has to be published on the web page of the *Auction Office* 30 days, at the latest, before the changes coming into force.

Prospective changes in the *Auction Rules* concerning yearly *Auctions* have to be published on the web page of the *Auction Office* 30 days, at the latest, before the changes coming into force. Furthermore, all *Auction Participants* who already gained *Auction Promises of or Allocated Capacity* have to be informed by letter of the changes prepared. However, the *Auction Rules* for yearly *Auctions* may only be changed unilaterally by the *Auction Office* as an amendment reflecting changes in the generally binding legal EU and/or national regulations.

Prospective changes in the *Auction Rules* concerning monthly *Auctions*, which come into force for the forthcoming monthly *Auction* at the earliest, have to be published by the *Auction Office* at the latest on the day set for publishing *Offered Capacities* on the web page of the *Auction Office*.

Prospective changes in the *Auction Rules* concerning daily *Auctions* have to be published on web page of the *Auction Office*, at the latest, 30 calendar days before the changes coming into force.

By accessing the *Auction* after the amendments and/or adaptations are published, the *Auction Participant* submits to the valid and effective version of the *Auction Rules*.

Article 13.6

List of Annexes

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Annex 14	“1:1” – System Notification
Annex 15	List of Czech Public Holidays
Annex 16	Complaint procedure
Annex 17	Specific conditions regarding the use of the PSEUDONYM-type electronic certificate

The annexes shall constitute an integral part of these *Auction Rules*.

Annex 1 Registration Form

Name of the company			
Address			
Commercial/company register No.			
VAT No.* (if available)		E-mail address	
Telephone No.		Fax No.	
List of EIC-Codes identifying Auction Participant(s)			

*) EU Value Added Tax number according to Directive 2003/92/EC

With the delivery of this validly-signed Registration Form, the company identified in table above (hereinafter the *Auction Entity*) declares that it has full and complete knowledge of the valid *Auction Rules*, which are published at the website of the *Auction Office* <http://www.e-trace.biz>, and that it accepts them in a manner legally binding and irrevocable.

The *Auction Entity* also declares, in a manner legally binding and irrevocable that he accepts possible changes in the *Auction Rules*, as described in Article 13.5 of the *Auction Rules*.

Confirmation of the Registration Form creates a contract between the *Auction Office* and the *Auction Entity* for *Auctions* for 2009. The *Auction Rules* constitute the terms and conditions of the contract. Through the confirmation of the Registration Form, the *Auction Participant(s)* are registered by the *Auction Office*.

This declaration is valid for an indefinite number of *Auctions* for 2009, notwithstanding the obligation for the *Auction Entity* to inform the *Auction Office* forthwith of any changes and notwithstanding the right of the *Auction Office* to request a renewal of the declaration.

The *Auction Entity* declares that the Registration Form and its Attachments contain complete and true information.

Attachments:

1. Original or verified copy of an extract from the Commercial/Company Register (in Czech, German, Polish, Slovak or English) which is not older than 3 months.
2. A list of authorised representatives who are entitled to communicate with *Auction Office* and to execute statements towards the *Auction Office* which bind the *Auction Entity*.

Date:

Signature

Attachment 1

A list of authorised representatives of the Auction Entity

The *Auction Entity* appoints the following persons to be authorised to act on behalf of *Auction Entity* and to submit to the *Auction Office* the *Bids* in accordance with Annex 9 in case of alternative yearly/monthly *Auction* procedure use and to submit the Form for set up/modification of the Auction ePortal User account (Annex 11) for the registered *Auction Participants* according to *Auction Rules*.

Name	Telephone No.	Mobile phone No.	Fax No.	E-mail

The *Auction Entity* confirms that Auction ePortal User accounts including all assigned user rights standing in the year 2008 remain valid according to the *Auction Rules* for the year 2009.

The *Auction Entity* declares that each *User* shall be trained and instructed according to the *Auction Rules* for the year 2009.

Date:

Signature

Annex 2

List of Contacts

Registration Forms (see Annex 1) must be delivered by market participants to the *Auction Office* at the following address:

ČEPS, a.s.	Available only on <i>Working Days</i>
Auction Office	
Elektrárenská 774/2	Filing office – between 10:30 and 12:00
101 52 Praha 10	Reception – between 08:00 and 18:00
Czech Republic	

Auction Participants have to submit Notification of Capacity Reservation for Balancing Energy Deliveries (see Annex 10) and “1:1”-System Notification Form (see Annex 14) to the above-mentioned address of the *Auction Office* or to the following fax number:

+420 21104 4401

Auction Participants have to submit Form for set up/modification of the Auction ePortal User account (see Annex 11) to the above-mentioned address of the *Auction Office* or to the following fax number:

+420 21104 4545

Any confirmation issued by the filing office or the reception of the *Auction Office* confirms only the date and time of receiving of the document - not the document's accuracy or whether or not it is correct.

Auction Participants may use for other communication with *Auction Office* following fax numbers and contacts:

Auction Rules, Registration of Auction Participants, Risk Management Instruments, “1:1”- System Notification, Notification of Capacity Reservation for Balancing Energy Deliveries

Name	Landline Phone No.	Mobile Phone No. *	e-mail	Fax No.
Zuzana Kadavá	+420 21104 4404	+420 724 588 050	kadava@ceps.cz	+420 21104 4401
Zdeněk Doležel	+420 21104 4737	+420 602 314 854	dolezel@ceps.cz	

* Only for emergency cases.

**eTrace Helpdesk – User support
(Auction ePortal Operators)**

– Daily, Monthly and Yearly Auctions operation, User Accounts, User certificates, Operational Issues

	Landline Phone No.	Mobile Phone No.	e-mail	Fax No.
Working days 07:00 – 17:00	+420 21104 4507	+420 724 601 301	helpdesk.trade@ceps.cz	+420 21104 4545
Weekends 08:00 – 16:00	N/A	+420 724 601 301	helpdesk.trade@ceps.cz	N/A

Auction ePortal Operation Supervision, Auction Rules

Name	Landline Phone No.	Mobile Phone No. *	e-mail	Fax No.
Petr Hösl	+420 21104 4779	+420 723 840 881	hosl@ceps.cz	+420 21104 4545
Martin Tomaschko	+420 21104 4732	+420 724 938 698	tomaschko@ceps.cz	+420 21104 4545

* Only for emergency cases.

Annex 3

Auctions Procedure Schedule

(Payment Schedule)

Yearly Auction

Publishing Offered Capacities	Closing date for submitting Bids 12:00 (CET)	Publishing results until 18:00
Deadline 1Y	Deadline 2Y	Deadline 3Y
11.11.2008	25.11.2008	26.11.2008

	Issuing invoices	Due date of invoices	Expiration of payment period
	Deadline 4Y	Deadline 5Y	Deadline 6Y
January	27.11.2008	10.12.2008	17.12.2008
February	23.12.2008	12.01.2009	19.01.2009
March	23.01.2009	10.02.2009	17.02.2009
April	23.02.2009	12.03.2009	19.03.2009
May	23.03.2009	09.04.2009	17.04.2009
June	23.04.2009	12.05.2009	19.05.2009
July	22.05.2009	10.06.2009	17.06.2009
August	23.06.2009	14.07.2009	21.07.2009
September	23.07.2009	11.08.2009	18.08.2009
October	21.08.2009	10.09.2009	17.09.2009
November	23.09.2009	13.10.2009	20.10.2009
December	23.10.2009	10.11.2009	17.11.2009

Monthly Auction

	Publishing Offered Capacities	Closing date for submitting Bids 12:00 (CET)	Publishing results until 15:00	Issuing invoices	Due date of invoices	Expiration of payment period
	Deadline 1M	Deadline 2M	Deadline 3M	Deadline 4M	Deadline 5M	Deadline 6M
January	02.12.2008	9.12.2008	10.12.2008	11.12.2008	22.12.2008	31.12.2008
February	07.01.2009	13.01.2009	14.01.2009	15.01.2009	27.01.2009	04.02.2009
March	03.02.2009	10.02.2009	11.02.2009	12.02.2009	24.02.2009	04.03.2009
April	03.03.2009	10.03.2009	11.03.2009	12.03.2009	24.03.2009	01.04.2009
May	31.03.2009	07.04.2009	08.04.2009	09.04.2009	21.04.2009	29.04.2009
June	05.05.2009	12.05.2009	13.05.2009	15.05.2009	27.05.2009	04.06.2009
July	02.06.2009	09.06.2009	10.06.2009	12.06.2009	24.06.2009	02.07.2009
August	07.07.2009	14.07.2009	15.07.2009	16.07.2009	28.07.2009	05.08.2009
September	04.08.2009	11.08.2009	12.08.2009	13.08.2009	25.08.2009	02.09.2009
October	02.09.2009	08.09.2009	09.09.2009	10.09.2009	22.09.2009	30.09.2009
November	06.10.2009	13.10.2009	14.10.2009	15.10.2009	27.10.2009	04.11.2009
December	03.11.2009	10.11.2009	11.11.2009	12.11.2009	24.11.2009	02.12.2009

Daily Auction

	Issuing invoices	Due date of invoices	Expiration of payment period
	Deadline 1D	Deadline 2D	Deadline 3D
January	02.02.2009	11.02.2009	18.02.2009
February	02.03.2009	13.03.2009	20.03.2009
March	01.04.2009	14.04.2009	20.04.2009
April	04.05.2009	13.05.2009	20.05.2009
May	02.06.2009	12.06.2009	19.06.2009
June	01.07.2009	13.07.2009	20.07.2009
July	03.08.2009	13.08.2009	20.08.2009
August	02.09.2009	11.09.2009	18.09.2009
September	01.10.2009	12.10.2009	19.10.2009
October	02.11.2009	11.11.2009	18.11.2009
November	01.12.2009	10.12.2009	17.12.2009
December	04.01.2010	12.01.2010	19.01.2010

Annex 4

Bank Guarantee – Requirements

In accordance with Article 3.2., the *Auction Office* shall accept bank guarantees under the conditions stated below.

Quality of the guarantee bank

The bank issuing the guarantee in favour of CEPS (i.e. the guarantee bank) or the financial group, the guarantee bank belongs to, must conform to at least to one of the following requirements regarding its rating:

- a) Moody's - minimum "Baa3",
- b) Fitch/IBCA – minimum "BBB-",
- c) Standard & Poor's – minimum "BBB-".

Requirements regarding the form of the guarantee

- The guarantee must be written in English (letter of guarantee)

Data required in the letter of guarantee

The following data must be stated in the letter of guarantee:

- A particular sum, i.e. the maximum amount of fulfilment,
- Currency, namely EUR,
- The beneficiary's account (ČEPS), to which it shall be paid, i.e.: the current account No. 202 910 0303/2600 EUR. Bank's address: Citibank, a.s., Evropská 178, 166 40 Praha 6,
- Exact identification of the guarantee bank,
- Beneficiary: ČEPS, a.s., Elektrárenská 774/2, 101 52 Praha 10, Company ID no.: 25 70 25 56, Tax identification no.: CZ 25 70 25 56,
- Exact identification of the committer,
- It must contain a reference to international rules issued by the International Chamber of Commerce in Paris, Uniform Rules for Contract Guarantees (No. 325) or Uniform Rules for Demand Guarantees (no. 458),
- The guarantee validity time – this is determined by the committer appropriately, with consent that for the purposes of guarantee calculation (credit limit), the beneficiary (ČEPS) shall administratively shorten this validity time by 12 calendar days, this is for the event of a possibility of a bank guarantee exercise.

The guarantee validity time must be at least:

- for the yearly Auction – from the deadline 2Y to the deadline 5Y for December + 12 calendar days, i.e. from 25th of November 2008 to 22nd of November 2009,

- for monthly Auctions – from the deadline 2M to the deadline 5M for relevant monthly Auction + 12 calendar days, e.g. in case of the monthly Auction for January 2009 it is from 9th of December 2008 to 3rd of January 2009,
- for daily Auctions – from the date of Auction to the deadline 2D for relevant month (month of Auction) + 12 calendar days, e.g. for daily Auction for 3rd of February it is from 2nd of February 2009 to 25th of March 2009.
- Effectiveness of the guarantee, which is given by the date of issue,
- Conditions for a bank guarantee exercise, in particular:
 - Disbursement upon initial request (instantly) without any objections,
 - Being Irrevocable,
 - Being Unconditional,
 - Being Nontransferable,
- A form of exercise of the beneficiary to the guarantee (bank), namely a written request (beneficiary's affirmation), sent as a registered letter together with a copy of the issued, unpaid invoice where the decisive date is the date of receipt by the bank,
- Information that a partial and multiple fulfilment is allowed, up to the maximum amount of the sum.

Unauthorised provisions

In the letter of guarantee, the following must not be stated:

- conditions which are contrary to the requirements of the beneficiary for the letter of guarantee,
- conditions which would in a substantial manner modify the beneficiary's requirements regarding the letter of guarantee,
- anything other than the conditions stated for exercising the bank guarantee.

Example of Letter of Guarantee

Letter of Guarantee

ČEPS, a.s.
Elektrárenská 774/2
101 52 Praha 10
Id.No.: 25702556
Tax Id.No.: CZ 25702556

In.....dd. mm. yyyy

Bank Guarantee No.

We have been informed that**name of company, address according to statement from Commercial Register..... Id.No.:.....Tax Id.No.:** (the "Committer") will participate in "Coordinated auctions of transmission capacity at the common borders of ČEPS, a.s.; transpower stromübertragungs gmbh; PSE-Operator S.A.; Slovenská elektrizačná prenosová sústava, a.s.; Vattenfall Europe Transmission GmbH for the year 2009" (the "Auctions").

The obligation to pay for the Committer's participation in the Auctions is to be secured by a bank guarantee.

Upon the Committer's instructions we,**Name of Bank, address.....**, Id. No., entered in the Commercial Register kept with the Municipal Court in, hereby issue in your favour an irrevocable and unconditional guarantee up to the maximum amount of

EUR 00.000,00

in Words: EURO

and undertake to pay you upon receipt by us of your first request in writing without delay or objection to your EUR account No. 2029100303/2600 held by Citibank, a.s., Evropská 178, 166 40 Praha 6, any amount or amounts up to the total amount guaranteed by us provided such request is in compliance with all terms and conditions of this Letter of Guarantee and contains your statement in writing that**name of company, address.....** has failed to pay for reservation of capacity according to Rules for coordinated auctions of transmission capacity at the common borders of ČEPS, a.s.; transpower stromübertragungs gmbh; PSE-Operator S.A.; Slovenská elektrizačná prenosová sústava, a.s.; Vattenfall Europe Transmission GmbH for the year 2009 (the "Request"). Your Request must include a copy of the issued, unpaid invoice when due. Our bank is not responsible for the validity and correctness of presented documents.

Your Request addressed to us at**Name of Bank, address.....**, shall be delivered to us not later than the date of expiry mentioned below of this guarantee.

Your Request relative to our guarantee shall be in writing and the validity and authorization of your signatures shall be verified by your bank and shall be delivered to us by registered mail or courier.

The amount of our guarantee shall decrease by every payment made by us thereunder. The guarantee ceases to be valid upon the payment of the total amount guaranteed by us.

This guarantee will become effective on the date of its issue and is valid until**date.....** inclusive. Following the lapse of the date our guarantee ceases to be valid.

This guarantee also ceases to be valid following the lapse of the date of receipt by us (return to us) of this original Letter of Guarantee provided such return takes place prior to the stated date of expiry of this guarantee.

This guarantee is not assignable.

This guarantee shall be governed by the laws of the ... and shall be subject to the Uniform Rules for Demand Guarantees, published as No. 458 by the International Chamber of Commerce, except as stated above.

The return of the original of this Letter of Guarantee to us is requested after its expiry.

Annex 5

Deposit – Requirements

- I. In accordance with Article 3.2., the *Auction Office* shall accept money deposited to the account of CEPS in Citibank a.s., in Prague (Czech Republic):

Account specification:

Citibank, a.s.
Evropská 178
Praha 6
ČR

Account No. 2029100418/2600
SWIFT CITICZPX
IBAN CZ4226000000002029100418

In case of deposit, the *Auction Entity* shall use its VAT number as payment identification number. In case of urgency, it is recommended to notify the *Auction Office* via e-mail or fax.

The deposit will not bear any interest as different types of collateral instruments can be used by the *Auction Entity*.

If the *Auction Entity* fails to pay for the reservation of the *Capacities* in accordance with Section 9, the *Auction Office* shall use these resources to cover the overdue payment.

Based on a written instruction from the *Auction Entity*, the *Auction Office* shall transfer the unutilised part of the deposit back to the *Auction Entity*.

- II. In accordance with Article 3.2., the *Auction Office* shall also accept deposits provided to an account of the *Auction Entity* at Citibank, a.s., in Prague (Czech Republic) under the conditions stated below.

The *Auction Entity* shall have concluded the current account agreement with Citibank, a.s. (hereinafter “the Bank”)

The *Auction Entity* shall have concluded a trilateral blocked-account agreement with Citibank, a.s., and ČEPS, a.s. (hereinafter “trilateral agreement”)

The content of the trilateral agreement

- The *Auction Entity* shall pay the deposit to the current account within the time frame stated in the signed trilateral agreement,
- The Bank shall inform ČEPS, a.s., of the payment of the deposit to the *Auction Entity's* current account,

- The deposit may be increased through unilateral instruction of the *Auction Entity*. The Bank and *Auction Office* shall be notified in advance of an increase in the deposit,
- The deposit can be decreased only through common instruction of the *Auction Entity* and ČEPS, a.s., in the form stated in the annex of the trilateral agreement,
- If the *Auction Entity* fails to pay for the reservation of *Capacities* in accordance with Section 9, the Bank will carry out the transfer of the relevant amount of the deposit on the basis of the unilateral instruction from ČEPS, a.s., in the form stated in the annex to the trilateral agreement and to the account stated in the instruction.

Documents necessary for opening the current account as presently required by at the Bank

The following forms shall be filled:

- Current Account Agreement,
- Signature Card (it is necessary to fill in all sections: Payment order and Cash withdrawal, Signature Card for other Products of the Bank, Authorized contacts for communication with the Bank),
- Application for Fax Communication with the Bank,
- The above-mentioned documents are to be signed by statutory representatives of the company or based on a Power of Attorney in the form of a notarial deed including Apostille if applicable.¹

Additional documents to be supplied:

- A copy of the Extract from Trade Register (not more than 3 months old), verified by a public notary;
- If applicable, a Power of Attorney in the form of a notarial deed including Apostille (if applicable)* or a Copy of the Certificate of Incorporation verified by a public notary, or equivalent document that stipulates who can act on behalf of the company;
- A copy of Articles of Association or equivalent document verified by a public notary
- A specific signature specimen (verified by a public notary) for each person stated on the Signature Card (authorized signatories as well as persons acting on behalf of the company). The signature specimen must contain the following information: given name and surname, date of birth or birth number, permanent address and the signature specimen of the person. This can be provided in form of one document for all the persons stated on the Signature Card.
- Copies of identification cards, passports, or other identity verification documents for all persons stated on the Signature Card (authorized signatories as well as persons acting on behalf of the company). The copy of the document must show a photo, given name and surname, date of birth or birth number, gender, permanent address, ID number, ID expiry date and the authority issuing the ID, provided the information is available on the document.

¹ Apostille is required on all documents certified by a German notary public. Apostille is not required on documents certified by Austrian, Slovak and Polish notary public.

- Information on the *Auction Entity*, e.g. annual report and a link to the company's web site.

Auction Office is not liable for the completeness and correctness of the list above.

Contact persons

For obtaining necessary forms and information relating to opening the account:

Radim Laník Tel: +420 233 061 407 e-mail: radim.lanik@citi.com

Annex 6

Promissory Note – Requirements

Permitted types of promissory notes

- **promissory note avaled/co-accepted by a non-bank counterparty**, which fulfils the conditions stated in the *Auction Rules*, Article 3.2., Letter d)
- **promissory note avaled/co-accepted by a bank**, which fulfils the conditions stated in the *Auction Rules*, Article 3.2., Letter d)

Recommendation

The Auction Office recommends its counterparty to use the examples stated in this document, or possibly another form normally used by a bank.

Area of Requirement	Required Wording, Formulation, Type
Designation that it is a promissory note	The words “ promissory note ” must be stated within the text of the document.
	The words “promissory note” must not be in a different wording (e.g. bill obligation) or in a different language than the rest of the document. The words “promissory note” must not be used just as a heading or just outside the continuous text.
The State of Being Unconditional	An unconditional promise / order to pay must be stated.
	The information “ WITHOUT OBJECTION ” (or “ FREE OF COSTS ”) must be stated. The formulation “ WITHOUT RESERVATIONS ” is not legally permissible.
	The promissory note must not contain any provisions by which the drawer excludes his/her responsibility for acceptance of the promissory note.
Sum and currency	A sum of money must be stated.
	The currency EUR must be stated in the amount of a bill (possibly “Only in...” or “Just in ...”) and there must be the information “ EFFECTIVELY ”
	There must not be divergent information regarding the sum on the promissory note.
Persons and related data	A written aval clause must be stated on the promissory note – in words “per aval” and the aval must be identified, stating his/her address and identification number. It must be joined by a signature of the aval.

Area of Requirement	Required Wording, Formulation, Type
	<p>The payee must be stated - ČEPS, a.s., ID no.: 25702556, Elektrárenská 774/2, Praha 10, Czech Republic The payee (ČEPS, a.s.) must not be stated by the term “bearer”, “owner” or “bona fide holder”. The information “not to order” must be stated.</p> <p>The promissory note must contain identification and signature(s) of the promissory note drawer. The signature must be written in hand (stamp or a facsimile is not sufficient). In case of a legal entity, its name must be stated (pursuant to the Companies Register, including its legal form), and the signatures of authorised persons.</p> <p>The promissory note must contain the signatures of persons, who are on the list of persons authorised to sign bills of exchange on behalf of the counterparty and the signature must correspond with a signature specimen. The list shall be officially handed over by the counterparty to ČEPS, and the counterparty undertakes the responsibility that the persons stated in the list are authorised to bind the company pursuant to the legal order in force for the company and pursuant to its title deeds. The list must be signed by the statutory body of the counterparty. A notarial deed shall be made out regarding the authenticity of signatures on the promissory note. In case the aval is a non-bank subject, then the counterparty is obliged to supply a list on behalf of the aval, including authentication of signatures on the given promissory note by a notary public.</p>
	<p>The place of payment must be stated completely in its entirety, i.e. Citibank a.s., Evropská 423/178, Praha 6, Czech Republic. The current account No. 910 0303/2600 EUR.</p>
Maturity	<p>The promissory note contains information about maturity, namely “mature at sight”.</p> <p>There must not be divergent information regarding the maturity on the promissory note.</p> <p>Payment must not be conditioned in any way (e.g. by words “if it is ...”).</p>
Places and dates	<p>The date and place of issue must be stated.</p> <p>All dates shall be in the format: day. (number) month (in words) year (number), example: 1 February 2009. It is not admissible that the month be stated in numerical form.</p>

Area of Requirement	Required Wording, Formulation, Type
Language	The main text of the promissory note must be unified language-wise – only one language shall be used, namely English.
Formal requirements	None of the lawful promissory note requirements can be separated by a closed frame from the text of the promissory note.
	None of the obligatory requirements are to be crossed out.

If there is a validity time (time period) stated in the text of promissory note, the following rules apply:

The validity time is determined by the drawer appropriately with consent, for the purposes of calculating the guarantee (credit limit), for the beneficiary (ČEPS) to administratively shorten this validity time by 12 days, this is for the event of a possibility of a bank guarantee exercise. The guarantee validity time must be at least:

- for the yearly Auction – from the deadline 2Y to the deadline 5Y for December + 12 calendar days, i.e. from 25th of November 2008 to 22nd of November 2009,
- for monthly Auctions – from the deadline 2M to the deadline 5M for relevant monthly Auction + 12 calendar days, e.g. in case of the monthly Auction for January 2009 it is from 9th of December 2008 to 3rd of January 2009,
- for daily Auctions – from the date of Auction to the deadline 2D for relevant month (month of Auction) + 12 calendar days, e.g. for daily Auction for 3rd of February it is from 2nd of February 2009 to 25th of March 2009.

Example of Promissory note:

PROMISSORY NOTE

xxx
promissory note no.

In xxx on xxx
place and date of issue (month in words)

xxx EUR
amount of the bill

I shall pay against this Promissory Note, maturity at sight

not to the order of ČEPS, a.s, IČ 25702556, registered office: Praha 10, Elektrárenská 774/2, Czech Republic
xxx euro(s)
amount of the bill in words

WITHOUT OBJECTION
EFFECTIVELY

Payable at:
Citibank a.s, Evropská 423/178, Praha 6, Czech Republic
bank account no. 2029100303/2600 EUR
place of payment

Drawer:
Name of the subject
ID no.:
Address
Agent:

.....
Name of a person authorised to sign
Authorisation (e.g. Agent)

Per aval:
Responsible person
Name of the subject, ID no., Address

.....
Name of a person authorised to sign
Authorisation (e.g. Agent)

Per AVAL 151	PROMISSORY NOTE	
	Place and Date of issue (Name of month in letters)	For <input type="text"/> Amount in figures
	On _____ Maturity date (month in letters)	against this Promissory Note I (We) promise to pay
	Not To the order of _____	
	the sum of: _____ Amount in words	
	effective payment to be made in _____	
	Payable at: _____	

	Without objections	Signature and full address of the issuer

Annex 7

Examples of Credit Limit, Bids Evaluation and Calculation of Allocated Capacity Curtailment with Liquidated Damages

Usage of Credit Limit is described in the examples below

Bank guarantee: 1100 EUR. Validity period: from 25th of November 2008 to 22nd of November 2009.

Auction Entity A registers in this example *Auction Participant A1* and *Auction Participant A2*.

Auction Results for Bids of Auction Participant A1 and A2 in the yearly auction:

Auction Participant	Source	Destination	Bid Amount (MW)	Bid Price (EUR/MW)	Auction Price (EUR/MW)
A1	PSE-O	VE-T	50	150	50.00
A2	CEPS	SEPS	20	100	20.00
A1	CEPS	TPS	50	90	45.20
A2	TPS	CEPS	30	0	35.02

Unutilised Credit Limit is equal to 1100 EUR.

The Auction Entity's unutilised Credit Limit is checked with the outstanding liability given by the result of the Auction after the evaluation of the bids.

Outstanding liability (*Total Auction Entity's Bid Value*) given by the result of the Auction is equal to

$$(50*50.00 + 20*20.00 + 50*45.20)/12 = 430 \text{ EUR}$$

The Unutilised Credit Limit must be equal to at least 430 EUR – fulfilled.

After the *Auction* the part of the *Credit Limit* equal to 430 EUR is *utilised* as long as all of the *Auction Participant's* payments resulting from the yearly auction are settled.

Bids of Auction Participants A1 and A2 for monthly auction for January

Auction Participant	Source	Destination	Bid Amount (MW)	Bid Price (EUR/MW)	Auction Price (EUR/MW)
A1	PSE-O	CEPS	20	20	3.00
A2	CEPS	VE-T	40	10	2.75
A1	PSE-O	SEPS	20	4	2.25

Unutilised Credit Limit is equal to 670 EUR.

The Auction Entity's unutilised Credit Limit is checked with the outstanding liability given by the result of the Auction after the evaluation of the bids.

Outstanding liability (Total Auction Entity's Bid Value) given by the result of the Auction is equal to $20 \times 3.00 + 40 \times 2.75 + 20 \times 2.25 = 215$ EUR

The Unutilised Credit Limit must be equal to at least 215 EUR – fulfilled.

After Auction the part of *Credit Limit* equal to 215 EUR is *utilised*.

Unutilised Credit Limit is equal to 455 EUR.

Auction Participants representing *Auction Entity A* will not take part in following monthly *Auctions* in this example.

Payment of *Auction Entity* resulting from the monthly *Auction* for January 2009 will be credited to the account of *Auction Office* e.g. on 27th December 2008, so in the time period from January *Auction* results publication date to 27th December 2008 part of *Credit Limit*, which can be used for ensuring of daily auctions payments is 455 EUR. From 28th December 2008 it is 670 EUR.

Bids of Auction Participants A1 and A2 for daily auction for 12th January 2009

Auction Participant	Source	Destination	Bid Amount (MW)	Bid Price (EUR/MW)	Auction Price (EUR/MW)
A1	PSE-O	CEPS	30	6	1.50
A2	CEPS	VE-T	10	10	2.75
A2	CEPS	VE-T	10	4	2.75
A1	PSE-O	CEPS	15	3	1.50
A2	PSE-O	CEPS	25	2	1.50

Total Auction Entity's Bid Value =
 = Max [30×6 ; $(30 + 15) \times 3$; $(30 + 15 + 25) \times 2$] + Max [10×10 ; $(10 + 10) \times 4$] =
 = Max [180 ; 135 ; 140] + Max [100 ; 80] = 180 + 100 = 280 EUR

The Unutilised Credit Limit has to be equal to 280 EUR at least – fulfilled.

After Auction the part of *Credit Limit* equal to 280 EUR is *utilised*.

Unutilised Credit Limit is equal to 390 EUR.

The 670 EUR cannot be used for ensuring of daily auctions payments in November 2009 because of the necessary validity period of the bank guarantee for ensuring of daily auctions for capacities of November 2009 is 22nd of December 2009.

Evaluation of Bids/Linked Bids is described in examples below

Example 1

The following figure shows an easy example of the *Auction* algorithm in cases according to Article 4.3 of Auction Rules Item a), point i. a ii.:

Limits on Technical Profiles:

- $A_{out} = 350$ MW, $B_{in} = 200$ MW, $C_{in} = 200$ MW, $E_{in} = 160$ MW
- $A_{in} = B_{out} = C_{out} = E_{out} = F_{in} = F_{out} = G_{in} = G_{out} = H_{in} = H_{out} = I_{in} = I_{out} =$ high limit

Id.	From	To	Auction Participant	Bid Amount	Bid Price	Limit	Limit	Limit	Limit
				MW	EUR/MW	A_{out}	B_{in}	C_{in}	E_{in}
1	PSE-O	VE-T	A	50	3 250	50	50	x	x
2	PSE-O	VE-T	A	45	1 561	95	95	x	x
3	CEPS	VE-T	B	40	1 306	x	135	x	x
4	PSE-O	CEPS	C	50	1 114	145	x	50	x
5	PSE-O	SEPS	A	50	804	195	x	x	50
6	PSE-O	CEPS	C	25	727	220	x	75	x
7	PSE-O	CEPS	A	50	596	270	x	125	x
8	PSE-O	SEPS	D	45	479	315	x	x	95
9	PSE-O	SEPS	D	50	310	365	x	x	145
10	CEPS	VE-T	B	40	250	x	175	x	x
11	CEPS	VE-T	C	30	220	x	205	x	x
12	PSE-O	VE-T	E	10	100	x	x	x	x

The Auction evaluation was realised in this case in the following way:

- Firstly, limit A_{out} was exceeded (exceeding of the limit on the Technical Profiles)
 - *The Auction Price on Commercial Profiles* and in directions PSE-O → VE-T, PSE-O → CEPS, PSE-O → SEPS is equal to 479 EUR/MW,
 - *Auction Participant A* will be provided with a *Capacity of 95 MW* on the *Commercial Profile* and in the direction PSE-O → VE-T, 50 MW PSE-O → SEPS and 50 MW PSE-O → CEPS,
Auction Participant C will be provided with a *Capacity of 75 MW* on the *Commercial Profile* and in the direction PSE-O → CEPS,
Auction Participant D will be provided with a *Capacity of 45 MW* on the *Commercial Profile* and in the direction PSE-O → SEPS,
i.e. together in the direction from PSE-O (A_{out}) 315 MW.
 - (See Item a), point i.).
- Secondly, limit B_{in} was exceeded

- *The Auction Price on the Commercial Profile and in the direction CEPS → VE-T equals 250 EUR/MW, the Auction Prices on the Commercial Profile and in the direction PSE-O → VE-T were determined in the previous step,*
- *Auction Participant B will be provided with a Capacity of 80 MW on the Commercial Profile and the direction CEPS → VE-T,*
- *Auction Participant A was provided with a Capacity of 95 MW on the Commercial Profile and in the direction PSE-O → VE-T during the previous step, i.e. together in the direction to VE-T (B_{in}) it has been provided a Capacity of 175 MW,*
- (See Item a), point ii.).

Results

From	To	Auction Participant	Promise of Capacity	Auction Price
			MW	EUR/MW
PSE-O	VE-T	A	95	479
PSE-O	CEPS	A	50	479
		C	75	479
PSE-O	SEPS	A	50	479
		D	45	479
CEPS	VE-T	B	80	250

Example 2

Following figure shows an easy example for *Auction Price* determination in cases according to Letter b):

Limits on Technical Profiles:

- $A_{out} = 350 \text{ MW}$, $B_{in} = 200 \text{ MW}$, $C_{in} = 200 \text{ MW}$, $E_{in} = 160 \text{ MW}$
- $A_{in} = B_{out} = C_{out} = E_{out} = F_{in} = F_{out} = G_{in} = G_{out} = H_{in} = H_{out} = I_{in} = I_{out} = \text{high limit}$

Id.	From	To	Auction Participant	Bid Amount	Bid Price	Limit	Limit	Limit	Limit
				MW	EUR/MW	A_{out}	B_{in}	C_{in}	E_{in}
1	PSE-O	VE-T	A	50	3 250	50	50	x	x
2	PSE-O	VE-T	B	50	3 200	100	100	x	x
3	PSE-O	VE-T	A	45	1 561	145	145	x	x
4	CEPS	VE-T	B	40	1 306	x	185	x	x
5	PSE-O	CEPS	C	50	1 114	195	x	50	x
6	PSE-O	SEPS	A	50	804	245	x	x	50
7	PSE-O	CEPS	C	25	727	270	x	75	x
8	PSE-O	SEPS	D	45	479	315	x	x	95
9	PSE-O	VE-T	D	50	310	365	235	x	x
10	PSE-O	VE-T	B	40	250	x	x	x	x

The *Auction* evaluation was realised in this example in the following way:

- By evaluation of Bid No. 9 the limits A_{out} and B_{in} were exceeded. In compliance with the procedure described in Item b), the *Auction Price* is indicated on the basis of limits exceeding
 - A_{out} – the lowest *Bid Price* of all *Bids* accepted on *Commercial Profiles* PSE-O → VE-T, PSE-O → CEPS, PSE-O → SEPS
Indicated *Auction Price* = 479 EUR/MW,
 - B_{in} – the lowest *Bid Price* of all *Bids* accepted on *Commercial Profiles* PSE-O → VE-T, CEPS → VE-T
Indicated *Auction Price* = 1306 EUR/MW,
 - Higher indicated *Auction Price* corresponds to exceeding limit B_{in} , i.e. firstly the *Auction Price* will be determined on the basis of exceeding this limit and secondly the *Auction Price* will be determined on the basis of exceeding limit A_{out} ,
 - B_{in} evaluation – The *Auction Price* on *Commercial Profiles* and directions PSE-O → VE-T and CEPS → VE-T is identical and equals 1306 EUR/MW (See Item a), point i.),
 - A_{out} evaluation – The *Auction Price* on *Commercial Profiles* PSE-O → CEPS and PSE-O → SEPS is identical and equals 479 EUR/MW (See Item a), point ii.).

Results

From	To	Auction Participant	Promise of Capacity	Auction Price
			MW	EUR/MW
PSE-O	VE-T	A	95	1 306
		B	50	1 306
CEPS	VE-T	B	40	1 306
PSE-O	CEPS	C	75	479
PSE-O	SEPS	A	50	479
		D	45	479

Example 3

The following figure shows an easy example of the *Auction* algorithm in cases of Linked Bids:

Limits on Technical Profiles:

- $A_{out} = 340$ MW, $B_{in} = 200$ MW, $C_{in} = 0$ MW, $E_{in} = 200$ MW, $F_{in} = 70$ MW, $G_{in} = 150$ MW
- $A_{in} = B_{out} = C_{out} = E_{out} = F_{out} = G_{out} = H_{in} = H_{out} = I_{in} = I_{out} =$ high limit

Id.	From	To	Auction Participant	Bid Amount	Bid Price	Limit	Limit	Limit	Limit	Limit	Linked Bid ID
				MW	EUR/MW	A_{out}	B_{in}	E_{in}	F_{in}	G_{in}	
1	PSE-O	VE-T	A	50	3 250	50	50	x	x	x	
2	PSE-O	VE-T	A	45	1 561	95	95	x	x	x	
3	CEPS	VE-T	B	40	1 306	x	135	x	x	x	
4	CEPS	TPS	C	45	1 250	x	x	x	45	x	LB1
5	PSE-O	SEPS	C	20	1 114	115	x	20	x	x	LB1
6	PSE-O	SEPS	A	20	804	135	x	40	x	x	
7	PSE-O	SEPS	C	25	727	160	x	65	x	x	LB1
8	PSE-O	SEPS	A	50	596	210	x	115	x	x	LB2
9	PSE-O	SEPS	D	45	479	255	x	160	x	x	
10	PSE-O	SEPS	D	45	410	300	x	205	x	x	
11	CEPS	VE-T	B	40	350	x	175	x	x	x	
12	CEPS	VE-T	C	30	320	x	205	x	x	x	
13	PSE-O	VE-T	E	40	250	x	x	x	x	x	
14	SEPS	CEPS	C	45	210	x	x	x	x	45	LB1
15	CEPS	TPS	A	50	150	x	x	x	95	x	LB2
16	SEPS	CEPS	A	50	100	x	x	x	x	95	LB2
17	PSE-O	SEPS	D	20	80	x	x	x	x	x	LB3
18	CEPS	TPS	D	50	50	x	x	x	x	x	
19	PSE-O	SEPS	D	50	30	x	x	x	x	x	
20	SEPS	CEPS	D	20	20	x	x	x	x	115	LB3

Based on the first evaluation *Linked Bids* marked “LB2” and “LB3” are excluded because the *Bid* with Id.15 (*Bid* is in the group of *Linked Bids* LB2) was not successful and because the *Bid* with Id.17 (*Bid* is in the group of *Linked Bids* LB3) was not successful. The evaluation will run again – see Article 4.4.

Bids evaluated in the second round are in the following table:

Id.	From	To	Auction Participant	Bid Amount	Bid Price	Limit	Limit	Limit	Limit	Limit	Linked Bid ID
				MW	EUR/MW	A _{out}	B _{in}	E _{in}	F _{in}	G _{in}	
1	PSE-O	VE-T	A	50	3 250	50	50	x	x	x	
2	PSE-O	VE-T	A	45	1 561	95	95	x	x	x	
3	CEPS	VE-T	B	40	1 306	x	135	x	x	x	
4	CEPS	TPS	C	45	1 250	x	x	x	45	x	LB1
5	PSE-O	SEPS	C	20	1 114	115	x	20	x	x	LB1
6	PSE-O	SEPS	A	20	804	135	x	40	x	x	
7	PSE-O	SEPS	C	25	727	160	x	65	x	x	LB1
9	PSE-O	SEPS	D	45	479	205	x	110	x	x	
10	PSE-O	SEPS	D	45	410	250	x	155	x	x	
11	CEPS	VE-T	B	40	350	x	175	x	x	x	
12	CEPS	VE-T	C	30	320	x	205	x	x	x	
13	PSE-O	VE-T	E	40	250	x	x	x	x	x	
14	SEPS	CEPS	C	45	210	x	x	x	x	45	LB1
18	CEPS	TPS	D	50	50	x	x	x	95	x	
19	PSE-O	SEPS	D	50	30	300	x	205	x	x	

The Auction evaluation was realised in this case in the following way:

- Firstly, limit B_{in} was exceeded (exceeding of the limit on the Technical Profiles)
 - *The Auction Price on Commercial Profiles and in directions PSE-O → VE-T, CEPS → VE-T is equal to 350 EUR/MW,*
 - *Auction Participant A will be provided with a Capacity of 95 MW on the Commercial Profile and in the direction PSE-O → VE-T, Auction Participant B will be provided with a Capacity of 80 MW on the Commercial Profile and in the direction CEPS → VE-T, i.e. together in the direction to VE-T (B_{in}) 175 MW.*
- Secondly, limit F_{in} was exceeded
 - *The Auction Price on the Commercial Profile and in the direction CEPS → TPS equals 1 250 EUR/MW,*
 - *Auction Participant C will be provided with a Capacity of 45 MW on the Commercial Profile and the direction CEPS → TPS.*
- Thirdly, limit E_{in} was exceeded
 - *The Auction Price on the Commercial Profile and in the direction PSE-O → SEPS equals 410 EUR/MW,*
 - *Auction Participant C will be provided with a Capacity of 45 MW on the Commercial Profile and the direction PSE-O → SEPS, Auction Participant A will be provided with a Capacity of 20 MW on the Commercial Profile and the direction PSE-O → SEPS, Auction Participant D will be provided with a Capacity of 90 MW on the*

Commercial Profile and the direction PSE-O → SEPS,
i.e. together in the direction to SEPS (E_{in}) 155 MW

Results

From	To	Auction Participant	Promise of Capacity	Auction Price
			MW	EUR/MW
PSE-O	VE-T	A	95	350
CEPS	VE-T	B	80	350
PSE-O	SEPS	A	20	410
		C	45	410
		D	90	410
SEPS	CEPS	C	45	0
CEPS	TPS	C	45	1 250

Calculation of Allocated Capacity Curtailment with Liquidated Damages is described in example below

Technical Profile between X ... TSO 1 and Y... TSO 2

Offered Capacity for January monthly *Auction* at the *Technical Profile* from X to Y: 100 MW
Reservation Subperiods: from 1st January to 2nd January announced *Capacity:* 50 MW
from 5th January to 8th January announced *Capacity:* 25 MW

Allocated Capacity for *Reservation Period:* 100 MW

(2 *Auction Participants* - each 50 MW)

Allocated Capacity for *Reservation Subperiod* No.1: 50 MW

(2 *Auction Participants* - each 25 MW)

Allocated Capacity for *Reservation Subperiod* No.2: 24 MW

(2 *Auction Participants* - each 12.5 MW, i.e. after rounding 12 MW)

Auction Price: 100 EUR/MW

$$\text{Compensation } M = \frac{\text{Auction Price } (M, CP, DR) * \text{Allocated Capacity}_F(M, CP, DR)}{\text{T}_F(M, CP, DR) * \text{Allocated Capacity}_F(M, CP, DR) + \sum_{\text{Reservation Subperiods}} \text{T}_R(M, CP, DR) * \text{Allocated Capacity}_R(M, CP, DR)}$$

$$= \frac{100 * 100}{(31 - 2 - 4) * 24 * 100 + 2 * 24 * 50 + 4 * 24 * 24} = 0.15 \text{ EUR} / \text{MWh}$$

Compensation for curtailment of *Allocated Capacity* for 7th January from 2nd to 5th hour:

- each of both *Auction Participants* who has acquired the *Capacity* through *Auction* is compensated with Liquidated damages in amount 4 hours*12 MW*Compensation M = 7.42 EUR

Annex 8

Procedure of Capacity Reduction in Reservation Subperiods

Procedure Description

In *Reservation Subperiod Capacities* assigned to *Auction Participants* according to Section 4 of *Auction Rules* on a given *Commercial Profile* and direction, and for the given *Reservation Period*, are proportionally reduced to the amount of *Capacity* announced for the given *Technical Profile* and/or *Commercial Profile*, direction and *Reservation Subperiod*.

For given day, for which at least one *Reservation Subperiod* is defined, *Capacity* reduction is determined by following procedure:

- a) The reduction coefficients for all considered *Technical Profiles* and directions are determined according to the formula:

$$RC_P = \text{Min} [OC_P / AC_P ; 1]$$

RC_P - coefficient of reduction on *Technical Profile P*

OC_P - Value of cross-border capacity announced for given *Reservation Subperiod* and *Technical Profile P*

AC_P - capacity assigned at the *Technical Profile P* (the summary value of *Capacity* to be allocated according to Section 4 of *Auction Rules* for all *Commercial Profiles* related to *Technical Profile P*)

- b) Reduction coefficient RC_P is applicable to all *Commercial Profiles* and directions related to a given *Technical Profile P* and direction. Within a *Commercial Profile* and direction, any *Capacity* to be allocated according to Section 4 of *Auction Rules* is reduced using the reduction coefficient RC_P . From the set of all *Technical Profiles* and directions related to given *Commercial Profile* and direction, **the RC_P with minimum value will be used for reduction of Capacity**. As the minimum reduction coefficient is selected, none of the remaining *Technical Profiles* and directions can cause further reduction.

- c) In case of application of reduction – use of RC_P on one *Technical Profile* – can affect reduction on other *Technical Profiles*. Therefore the reduction procedure proceeds from the minimum reduction coefficient RC_P and the reduction coefficients are recalculated according to the formula:

$$RC_{P\text{Reduced}} = \text{Min} [OC_P - AC_{P1} / AC_{P2} ; 1]$$

$RC_{P\text{Reduced}}$ - coefficient of reduction on *Technical Profile P* applicable only to *Commercial Profiles*, for which no reduction has been performed yet

OC_P - Value of cross-border capacity announced for given *Reservation Subperiod* and *Technical Profile P*

AC_{P1} - capacity assigned at the *Commercial Profiles* related to *Technical Profile P* and other *Technical Profile*, for which the reduction has been performed already

AC_{P2} - capacity assigned at the *Commercial Profiles* related to *Technical Profile P*, for which no reduction has been performed yet

Promised Capacity in Reduction Subperiod for each *Auction Participant* is determined by following way: The *Capacity* assigned to *Auction Participant* according to Section 4 of *Auction Rules* on the individual *Commercial Profile* and direction is multiplied by reduction coefficient value. The resulting value is rounded down to an integer.

Above described procedure of Capacity Reduction in Reservation Subperiods is applied for all days, for which the *Reservation Subperiods* are announced.

Promise of Capacity in Reservation Subperiod Evaluation Example

Technical Profile	Offered Capacity (MW)	Offered capacity in Reservation Subperiod (MW)	Promise of capacity (MW)	Reduction Coefficient
P		OC_P	AC_P	RC_P
E _{in}	110	66	110	0,6
G _{out}	50	25	50	0,5
H _{in}	65	48	60	0,8

Reduction Coefficient for *Technical Profile* E_{in} would be equal to $66/110 = 0,6$

The process of reduction begins by use of the reduction coefficient with minimum value:

Technical Profile	Reduction Coefficient
G _{out}	0,5

The only one *Commercial Profile* related to the *Technical Profile* G_{out} is CEPS – SEPS. The reduction coefficient is applied to all *Auction Participants*, whose bids were allocated on this *Commercial Profile*, e.g.:

Auction Participant	Source	Sink	Assigned capacity (MW)	Reduction Coefficient	Capacity after reduction (MW)	Promise of capacity (MW)
A1	CEPS	SEPS	23	0,5	11,5	11
A2	CEPS	SEPS	27	0,5	13,5	13

Promise of Capacity in Reservation Subperiod on *Commercial Profile* CEPS-SEPS would be 24 MW.

The *Reduction Coefficient* for *Technical Profile* E_{in} and H_{in} would be recalculated:

Technical Profile	Offered capacity in Reservation Subperiod (MW)	Promise of capacity (MW)	Promise of capacity (MW)	Reduction Coefficient
P	OC_P	AC_{P1}	AC_{P2}	RC_{PReduced}
E _{in}	66	24	60	0,7
H _{in}	48	0	60	0,8

Reduction Coefficient for *Technical Profile* E_{in} would be equal to $(66 - 24)/60 = 0,7$

The minimum of *Reduction Coefficients* for *Technical Profiles* E_{in} and H_{in} will be used for reduction on *Commercial Profile* PSE-O – SEPS.

Commercial Profile	Reduction Coefficient
PSE-O - SEPS	0,7

Annex 9

Alternative Yearly and Monthly Auction Procedure

The specific rules for yearly and monthly *Auction* organized electronically in the *User* environment of the *Auction ePortal* set forth by Section 6 and Section 7 of *Auction Rules* may be replaced in case of technical problems with electronic solution identified by *Auction Office* by alternative rules specified below in this Annex 9. Information about use of alternative yearly or monthly *Auction* procedure according to Annex 9 may be published by 12:00 on the last *Working Day* before the day on which the deadline 2Y falls for the yearly *Auction* or deadline 2M falls for the monthly *Auction* (see Annex 3). Information shall be published on the *Auction Office* webpage (www.e-trace.biz). Furthermore *Auction Office* will notify use of alternative yearly or monthly *Auction* procedure to all *Auction Participants* by message in *Auction ePortal* and by e-mail.

Substitution of Article 6.1 and Article 7.1 Bids for the Reservation of Capacity

In order to participate in the yearly or monthly *Auction* procedure, *Bids* must be submitted as follows:

- In closed and sealed envelopes marked with the following words
 - Yearly Auction - "Yearly Auction of Transmission Capacities for the year 2009 – NEOTVÍRAT – DO NOT OPEN UNTIL DEADLINE"
 - Monthly Auction - "Monthly Auction of Transmission Capacities for *name of the month* 2009 – NEOTVÍRAT – DO NOT OPEN UNTIL DEADLINE".
- By fax. The *Auction Office* does not accept any responsibility for the security and legibility of data transmitted by fax. The *Auction Office* will, without undue delay, confirm by fax message those *Bids* delivered in time. Only confirmed *Bids* will be considered in the *Auction*.

Bids have to be delivered to the *Auction Office's* address, to the filing office or reception of the *Auction Office* (see Annex 2) or to the *Auction Office's* fax numbers specified on Attachment C of this Annex 9, by the deadline 2Y for the yearly *Auction* or deadline or 2M for the monthly *Auction*. Deadlines are specified in Annex 3.

Each *Bid Sheet* (shown in Attachment of Annex 9) must contain the following unambiguous and legible specifications:

- a) Identification of the *Auction Participant* submitting the *Bids* (name of the *Auction Entity* who registered the *Auction Participant*, unique *EIC-Code*), name of the person authorised by the *Auction Entity* in the Registration Form who submits the *Bids*.
- b) Specification of the *Commercial Profile* and transmission direction.
- c) *Bids* with following specifications:
 - i. The amount of the *Capacity* to be allocated in MW without decimals;

- the minimum amount of a single *Bid* is 1 MW;
- the maximum amount of a single *Bid* is equal to the *Offered Capacity* for the *Technical Profile(s)*, which includes the given *Commercial Profile*, and at the same time does not exceed 50 MW.
- ii. The *Bid Price* in EUR/MW with a maximum of two decimals. The *Bid Price* has to be equal to or more than zero. The *Bid Price* of two *Bids* presented on one *Bid Sheet* must not be identical.
 - iii. For one *Commercial Profile* and one direction, each *Auction Participant* can submit only one *Bid Sheet* with a maximum of 20 *Bids*.
- d) The signature of the person whose name is entered in the *Bid Sheet*.

The *Bid Sheets/Bids* specifying all data mentioned above must be submitted, without any reservation, in the format shown in Attachment A (Yearly Auction) or Attachment B (Monthly Auction) of Annex 9. The *Bid Sheets/Bids* are binding and cannot be modified after their delivery. The *Auction Participant* may withdraw his *Bid Sheet*. If *Bid Sheets* are submitted in a sealed envelope, the entire envelope has to be withdrawn (which is only possible if the envelope can be identified by the *Auction Office*). A declaration of withdrawal has to be received by the *Auction Office* in writing by the deadline 2Y for the yearly *Auction* or deadline 2M for the monthly *Auction*. Deadlines are specified in Annex 3. The *Auction Office* will, without undue delay, confirm by fax message the withdrawal that was delivered in time. Only confirmed withdrawals will become effective.

Bid Sheets or individual *Bids* (the *Bids* are valid independent of each other) which do not fulfill the requirements specified above of this Annex shall be excluded and shall not be included among the assessed *Bid Sheets/Bids*. For example, in case of two or more *Bids* of one *Auction Participant* on the same *Commercial Profile* and direction with the same *Bid Price*, all the *Bids* with the same *Bid Price* will be excluded. In case of two *Bid Sheets* with different *Bids* submitted for the same *Commercial Profile* and direction by one *Auction Participant*, both *Bid Sheets* shall be excluded and shall not be included among the assessed *Bid Sheets*.

The *Auction Participant* is responsible for the evidence of the timeliness of the delivery of *Bids* or declarations of withdrawal to the *Auction Office*.

Substitution of Article 6.3 and Article 7.3 Notification of the Results of an Auction

The *Auction Office* will notify each *Auction Participant* whose *Bid* was included in a specific *Auction* by the deadline 3Y for the yearly *Auction* or deadline 3M for the monthly *Auction*, for each *Commercial Profile* and direction on which his *Bids* were evaluated, of the following information by fax message. Deadlines are specified in Annex 3:

- Specification of *Commercial Profile* and direction.
- *Reservation Period*.
- *Promise of Capacity* to the *Auction Participant* in MW in *Reservation Period*.
- *Reservation Subperiod(s)*.
- *Promise of Capacity* to the *Auction Participant* in MW in *Reservation Subperiod(s)*.

- *Auction Price* in EUR/MW.
- Payment for the reservation of *Promises of Capacity* in EUR, rounded to two decimal places.

Exemption:

In case the *Bids* of an *Auction Participant* were excluded from the evaluation, the *Auction Office* will send him, without undue delay, only the refusal note including reason of excluding.

The *Auction Office* publishes results of yearly or monthly *Auction* on the *Auction Office's* webpage (www.e-trace.biz) for each *Commercial Profile* and direction:

- Total *Promise of Capacity*
- Total requested *Capacity*
- *Auction Price*
- Number of Auction Participants in *Auction*
- Number of *Bids* placed in *Auction*
- Price curves.

Exemption in Article 4.3 Algorithm

In the yearly and/or monthly *Auction* organised according to alternative rules specified by this Annex all marginal *Bids* with the same *Bid Price* are not accepted, and the remaining *Capacity* is kept free for the daily Auctions.

Application of the alternative procedure of yearly or monthly *Auction* specified by this Annex has not impact to evaluation of submitted *Bids* as set forth by Article 6.2 and Article 7.2 of *Auction Rules*.

Attachment A

This form shall be delivered to the address of the Auction Office or to one of the following
fax numbers: +420 21104 4534, +420 21104 4535, +420 21104 4536, +420 21104 4537.

**Bid Sheet
For yearly auction – year 2009**

Name of the Auction Entity	
EIC-Code of the Auction Participant	
Name of the person authorized to submit the Bid	

Commercial profile and direction

From	
To	

Fields “From” and “To” may be CEPS, TPS, PSE-O, SEPS and VE-T

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

** Please use at maximum 4 numbers or letters to identify *Bids* in one group of *Linked Bids*.

Date:

Signature

Attachment B

This form shall be delivered to the address of the Auction Office or to one of the following
fax numbers: +420 21104 4534, +420 21104 4535, +420 21104 4536, +420 21104 4537.

Bid Sheet For monthly auction – *name of month* 2009

Name of the <i>Auction Entity</i>	
EIC-Code of the <i>Auction Participant</i>	
Name of the person authorized to submit the <i>Bid</i>	

Commercial profile and direction

From	
To	

Fields “From” and “To” may be CEPS, TPS, PSE-O, SEPS and VE-T

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

** Please use at maximum 4 numbers or letters to identify *Bids* in one group of *Linked Bids*.

Date:

Signature

Attachment C

In case that alternative yearly or monthly Auction procedure according to Annex 9 is used *Auction Participants* have to submit *Bid Sheets* (Attachment A or Attachment B) to the address of the *Auction Office* (see Annex 2) or to one of the following 4 fax numbers:

+420 21104 4534 +420 21104 4536

+420 21104 4535 +420 21104 4537

The above mentioned fax numbers are designated exclusively for the *Auction Office* for submitting of *Bid Sheets* in case of alternative *Auction* procedure in accordance with Annex 9 and may not be used for other communication. *Any Bids* submitted to another ČEPS' fax number shall be null and void and shall be not included among assessed *Bids*.

This form shall be delivered to the address of the Auction Office
or to the fax number +420 21104 4401.

Annex 10
Notification of Capacity Reservation
for Balancing Energy Deliveries

	<i>Auction Participant</i>
Name of the Auction Entity	
EIC-Code of the Auction Participant	
Name of the person authorized to submit the Notification	
Fax No.	

	From	To	Auction Type⁺
Period			

⁺ Field "Auction Type" may be YEARLY or MONTHLY

Volume [MW]	
--------------------	--

From	
To	

Fields "From" and "To" may be CEPS, PSE-O and SEPS

	<i>Auction Participant</i>	<i>TSO – Receiver of Balancing Energy Deliveries</i>
Date		
Signature		

This form shall be delivered to the address of the Auction Office
or to the fax number +420 21104 4545.

Annex 11

Form for set up/modification of the Auction ePortal User account

(please use single form for individual user of individual Auction Participant)

Name of the Auction Entity	
EIC-Code of the Auction Participant	
Name of the person authorized to submit the form	

The *Auction Participant* requests setup / modification* of an *Auction e-Portal* user account for the following representative of the *Auction Participant*:

User first name, last name:			
Telephone/Mobile:		E-mail:	
With valid certificate No.:		Valid until:	
Issuing authority:			

With user rights * of local administrator**

* Check off correct information;

** The local administrator's rights are identical with the *Auction Participant's* access rights originating from the *Auction Rules*. The local administrator is appointed by *Auction Participant* to be responsible for setting up and checking the *User* rights of *Auction Participant's Auction ePortal Users*.

On the basis of the *Auction Rules*, the content of which is known to the aforementioned person, the person is authorized to perform operations in the *Auction ePortal* in accordance with the *Users* rights, and in such a case, represents the *Auction Participant* specified above.

The aforementioned person is also authorised to submit to the *Auction Office* the *Bids* in accordance with Annex 9 in case of alternative yearly/monthly *Auction* procedure use.

Date:

Signature

(person authorized to submit the form)

Annex 12

Requirements on Electronic Signatures and Certificates

1. For the purpose of accessing the *Auction ePortal* and executing business by means of it, each *User* must have one or two certificates fulfilling the conditions specified below.
2. It is possible to use one certificate for both accessing and executing business by means of the *Auction ePortal*; or, two separate certificates – one for accessing the *Auction ePortal* and one for executing business transactions via the *Auction ePortal* is also acceptable.
3. Each certificate used in the *Auction ePortal* must be either:
 - a) A qualified certificate within the meaning of Directive 1999/93/EC (on electronic signatures), or
 - b) A different certificate than that specified in 3.a) above, provided the following conditions are met:
 - i) The *Auction Entity* which registered the *User* using the certificate different than that specified in 3.a) above confirms and undertakes that the certification service provider issuing the certificate fulfils the following criteria:
 - (1) Published certification policy (CP) prepared in accordance with RFC 3647 or RFC 2527; the certificate must contain a reference to the current version of the CP;
 - (2) There have been Face to Face registration procedures, meaning that during the process of verifying identity for the purposes of issuing the certificate, the applicants must have personally met with the certification service provider or a trustworthy third party (*e.g.*, an employee of a trust center, notary public, or another similar official) and must present some generally recognized state-issued identification document (*e.g.*, an identity card, a passport, driver's license, etc.);
 - (3) A regular external audit has been executed and directed (at a minimum) at the compliance of its own processes with the published CP;
 - (4) There is a Regular Fast Revocation Process: the CA issues CRLs with a validity period under or equal to 24 hours;
 - (5) The cryptographical algorithms and parameters used are in compliance with Algorithms and Parameters for Secure Electronic Signatures (ESI Special Report SR 002 176, March 2003); AND
 - ii) The *Auction Entity* which registered a *User* using for the purposes of the execution of business transactions via the *Auction ePortal* an electronic signature other than the advanced electronic signature based on qualified certificates and created by secure-signature-creation devices within the meaning of Directive 1999/93/EC (on electronic signatures) irrevocably undertakes to indemnify, and keep fully and effectively indemnified, the *Auction Office*, all other *Auction Entities*, each *Auction Participant*, and each *User* and their employees and agents (Indemnified Person or Indemnified Persons) from and against any and all liability, loss, claims, demands and/or expenses whatsoever and howsoever arising, which any of them shall incur, at any time, and which arise in connection with any of the *Users'* use of its electronic signature in connection with executing business transactions via the *Auction ePortal*, save to the extent demonstrably caused by a material breach

of the *Auction Rules* by the Indemnified Person or Indemnified Persons. Notwithstanding anything in the *Auction Rules*, this indemnity is governed by the law of England and Wales.

4. Each certificate used in the *Auction ePortal* must also meet the following conditions:
 - a) The certificate is RFC 3280 compliant;
 - b) The version of certificate is X.509 v3;
 - c) The public key of the certificate must be intended for the RSA algorithm; and
 - d) The Key Usage extension is defined as critical.
5. Certificates used for accessing the *Auction ePortal* must be intended:
 - a) for user authentication against the web server,
 - b) for the SSL communication, and
 - c) for symmetric key exchange using the RSA algorithm.
6. Certificates used for the execution of business transactions via the *Auction ePortal* must be intended for the verification of the advanced electronic signatures within the meaning of Directive 1999/93/EC (on electronic signatures).
7. All the electronic signatures used to communicate with the *Auction ePortal* must successfully pass tests operated by the *Auction Office*. A list of certification service providers whose certificates have successfully passed the tests are published on the official webpage of the *Auction Office*: www.e-trace.biz.

Annex 13

Communication with Users of the Auction ePortal in Extraordinary Situations

The *Auction Office* advises the *Users* using the *Auction ePortal* of possible deviations from the routine operation. The *Auction Office* is authorized to issue instructions towards the application as well as to take measures in the case of an outage of the *Auction ePortal* system.

The *Users* are obliged to immediately inform the *Auction ePortal* Helpdesk of any observed problems and/or extraordinary conditions and all potential consequences through e-mail or by fax.

In case of a problem, which must be solved immediately, the *User* will immediately contact the *Auction ePortal* Helpdesk by phone – see Annex 2.

The *Auction Office* will enter the prospective data into the *Auction ePortal* system by means of a substitute method. It will do this on the basis of a request for such an operation, if the *User* cannot do so on his/her own due to an outage of the *Auction ePortal*.

The *User* shall hand over the request for entering data by a substitute method along with providing reasons, why he/she is not able to enter the data by ordinary means, as well as the data related to the substitute entry into the *Auction ePortal* utilizing the following procedures and observing their order:

- Electronically, via a signed e-mail,
- If e-mail does not work, then via a fax message containing the name and signature of the *User* or the representative of *Auction Entity* authorized in the Registration Form to communicate with *Auction Office* on behalf of *Auction Participant*. Fax message shall be submitted to the eTrace Helpdesk fax number (see Annex 2).

Data handed over by a substitute method must be delivered in the format valid for a specific case – i.e. in the form of an XML file or MS Excel pattern of Client Application, from which can be generated the XML file. The pattern of Client Application is available to be downloaded in the environment of e-Trace e-Portal User account.

The *Auction Office* shall have the right to identify the *User* at the moment when the *Auction ePortal User* is supplying the *Auction Office* with operational or commercial data and requires that data to be entered into the *Auction ePortal* on his/her behalf by means of the substitute method. Unless the *User* or the person authorized by the *User* clearly identifies himself/herself, the *Auction Office* shall be entitled not to perform the substitute data entry. The *User* is also obliged to provide the *Auction Office* with a telephone number, which he/she can use in case of a necessary communication, and to provide the cooperation needed. The *Auction Office* subsequently enters the data into the *Auction ePortal* on behalf of the *User* and informs that *User*, without needless delay, by telephone and/or via e-mail that the data was entered, and, in case the *Auction ePortal* does not operate on the *User* side, the *User* will attach the entered data. The *Auction ePortal User* is obliged to confirm the given data by fax and/or e-mail within 30 minutes from terminating the telephone call with the *Auction Office*

or receiving a confirmation e-mail. The *User* is also liable for the validation of data entered on his/her behalf by the *Auction Office*.

The *Auction Office* bears no liability for any prospective incorrectness of entered data generated and delivered by the *User* in the agreed manner or for the rejection of that data by the *Auction ePortal* due to its incorrectness.

Those rules are applicable only for a registered *User* of the *Auction ePortal* (see Article 5.2).

**This form shall be delivered to the address of the Auction Office
or to the fax number +420 21104 4401.**

Annex 14
“1:1” – System Notification

	TSO A - name	TSO B - name
Name of the company and <i>Auction Entity</i> respectively		
Address		
Commercial/company register No.		
VAT No.* (if available)		
EIC-Code		
Company representative		
Telephone No.		
Fax No.		
E-mail address		

*) EU Value Added Tax number according to Directive 2003/92/EC

	From	To
Period		

	Name of the company and <i>Auction Entity</i>, respectively, registered by TSO A	Name of the company and <i>Auction Entity</i>, respectively, registered by TSO B
Date		
Signature		

Annex 15

List of Czech Public Holidays

17 th November 2008	(Monday)
24 th December 2008	(Wednesday)
25 th December 2008	(Thursday)
26 th December 2008	(Friday)
1 st January 2009	(Thursday)
12 th April 2009	(Sunday)
13 th April 2009	(Monday)
1 st May 2009	(Friday)
8 th May 2009	(Friday)
5 th July 2009	(Sunday)
6 th July 2009	(Monday)
28 th September 2009	(Monday)
28 th October 2009	(Wednesday)
17 th November 2009	(Tuesday)
24 th December 2009	(Thursday)
25 th December 2009	(Friday)
26 th December 2009	(Saturday)

Annex 16

Complaint procedure

Specific initiative concerning the daily, monthly and yearly Auctions

Should the *Auction Participant* come to conclusion that the *Auction Rules* have been breached by an incorrect calculation, incorrect output from data check, or incorrect evaluation of data by the *Auction ePortal*, the *Auction Participant* is entitled to initiate through its representative, the *Auction ePortal* User examination procedure. The request must be delivered to one of the Contacts of *Auction ePortal* operators (Annex 2) by signed fax message, an electronically signed e-mail, or via registered mail, and must contain:

- date
- identification of Auction Entity and Auction Participant
- name, e-mail address and telephone of contact person / e-Trace 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.)

Auction ePortal operators will confirm the receipt of such a complaint via e-mail.

Should a complaint be assessed as groundless or unjustified and *Auction Office* has expend financial resources on handling the complaint, *Auction Participant* is obliged based on written request of *Auction Office* to cover/compensate costs incurred.

Then above described initiative shall not have suspensive impact on the results of the relevant daily, monthly or yearly *Auction*.

Annex 17

Specific conditions regarding the use of the PSEUDONYM-type electronic certificate

This document specifies the conditions of communication between the Auction Entity and Auction Office via the Web services interface of Auction e-Portal.

I.

Auction Rules, Section 5 specify the conditions of use of electronic certificates.

This document is made only with the intention to allow the Auction Entity to communicate with the Auction e-Portal while using the PSEUDONYM-type certificate.

II.

As a PSEUDONYM-type certificate is considered a certificate that meets the technical conditions specified in the Annex 12 of the Auction Rules and unlike the procedures applied in the contractual relationships it does not identify a specific User but it only identifies and recognizes the Auction Entity as a legal person.

III.

The Auction Entity declares that has implemented a technical device - communication server (web services client) for the purposes of communication with Auction e-Portal by means of web services in order to carry out the transactions and to accept obligations specified in the Auction Rules, while using the PSEUDONYM-type certificate, as the Auction Entity's sole communication site, to be operated continuously 7 days a week, 24 hours a day.

IV.

As of the signature date of this document by the Auction Entity's representative, all of the Auction Entity's transactions in connection with the use of Auction e-Portal identified by its the PSEUDONYM-type certificate:

No.: _____ issued by.: _____
bind the Auction Entity as if performed by any of all the Authorized representatives as nominated in the Attachment 1 of the Annex 1 of Auction Rules (Registration Form).

Date:

Signature