

**Rules for co-ordinated auctions
of transmission capacity
at the common borders of**

ČEPS, a.s.
PSE-Operator S.A.
Vattenfall Europe Transmission GmbH

for the year 2005

(hereinafter *Auction Rules*)

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Definitions

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

Already Allocated Capacity (AAC) – total amount of transmission capacity allocated before given phase of the allocation procedure.

Allocated Capacity – *Promise of Capacity* becomes *Allocated Capacity* when fulfilling the payment conditions stated in the *Section 7*. *Allocated Capacity* is guaranteed by both neighbouring TSOs vis-à-vis *Auction Office* in accordance with these Rules.

Exemption:

As SEPS decided not to participate in the co-ordinated auctions in 2005, capacities for the *Commercial Profile* PSE-O – SEPS in both directions will be allocated unilaterally. In consequence the physical use of the reserved capacities will require the allocation of the corresponding capacities in SEPS system in accordance with the rules provided by SEPS.

Announcement of Auction Capacities – document published on *Auction Office* website specifying offered *Capacities*, period of reservation and any additional information necessary for proceeding of the *Auction*.

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

Auction Entity – a person and/or an entity who registers *Auction Participants* in *Auction Office*. *Auction Entity* bears full guarantee for obligation resulting from participation of *Auction Participants* in co-ordinated auction procedure.

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

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

Auction Participant – representation of *Auction Entity* identified with unique EIC Code, registered by *Auction Entity* in *Auction Office* in accordance with Article 3.1.

Auction Price – the price 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*.

Available Transfer Capacity (“ATC”) – the part of the *NTC* that remains available, after each phase of the allocation procedure.

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

Bid Amount – requested amount of Capacity reservation. Integral part of a *Bid*.

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

Bid Sheet – a form with unambiguous and legible specifications stated in Section 5 for submission of the *Bids* to the *Auction Office*.

Capacity – cross-border transmission capacity.

ČEPS, a.s. (“CEPS”) – with registered office in 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 networks, cannot accommodate all physical flows resulting from international trade requested by market participants, because of a lack of capacity of the *Interconnections* and/or the national transmission systems concerned.

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

Commercial Profile – a set of *Interconnections* /transmission border lines/ between two neighbouring *Control Areas*.

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

EIC-Code – ETSO identification code serves to clear identification of entities in cross-border trade.

ETSO – European Transmission System Operators – association of TSOs.

Force Majeure – conditions and/or events and/or circumstances which are beyond the reasonable control of CEPS and/or PSE-O 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, if CEPS and/or PSE-O 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 PSE-O and/or VE-T.

Interconnection – a set of lines between the *TSOs’* transmission systems which connects the *Control Areas* of *TSOs* synchronously.

Limited Profile – a Commercial Profile and direction limited by a given limit on Technical Profiles.

Net Transfer Capacity (“NTC”) – a maximum capacity exchange program between *Control Areas* compatible with security standards applicable in both *Control Areas* and taking into account the technical uncertainties on future network conditions.

Offered Capacity – a *Capacity* offered on each *Technical Profile* and direction for the period indicated in the *Auction* procedure and guaranteed by TSO who defined this *Technical Profile*.

Promise of Capacity – by notification of the *Auction* result *Auction Participant* gains promise of the *Auction Office* that by settlement of the payment in accordance with Section 7 *Capacity* shall be allocated in accordance with notified *Auction* results with except of cases set out in Article 10.1, i.e. *Auction Participant* gains *Promise of Capacity*.

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

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

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

Reservation Subperiod – part of *Reservation Period* in which *Offered Capacity* is curtailed and the curtailment is not subject of any compensation.

Slovenská elektrizačná prenosová sústava, a.s. (“SEPS”) – the Slovak Transmission System Operator.

Technical Profile – a set of transmission border lines and/or facilities which have a common limit of transmission capacity defined at least by one TSO (includes at least one *Commercial Profile*).

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 – *Auction ePortal* system time, which is assigned to the message when leave and/or come into *Auction ePortal*.

Total Auction Entity’s Bids Value – in case of yearly and monthly auction Total Auction Entity’s Bids Value is calculated 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* who represent 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*.

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

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 distribution of electricity.

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

UCTE – Union for the Co-ordination of Transmission of Electricity.

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

Utilisation – utilised part of the *Auction Entity's Credit Limit*, blocked by participation of *Auction Participant's* representing *Auction Entity* in *Auction* in accordance with Section 3 and 7 which cannot be used to ensure any other transactions/participation in *Auction* and cannot be returned to *Auction Entity*.

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

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

Section 1 Preamble

Article 1.1 Considerations

The demand for the cross border transmission and the capacity reservations at the transmission interconnections between the *Control Areas* of CEPS, PSE-O and VE-T is usually much higher than the available capacity. It is expected, that as a consequence of market opening according to the Directive 2003/54/EC, the demand will increase over time.

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

In order to obtain maximum transparency in the allocation of this transmission capacity and to avoid discrimination in allocating capacities, CEPS, PSE-O and VE-T will organise co-ordinated auctions. As the vast majority of electricity trading in *Control Areas* of the concerned TSOs is based on OTC (over the counter) bilateral contracts, CEPS, PSE-O and VE-T decided to hold explicit auctions.

There are technical reasons to introduce a coordinated approach to the congestion management. CEPS, PSE-O and VE-T therefore decided to jointly offer their transmission capacities.

Article 1.2 General Principles

TSOs agreed to start a common regional auctioning procedure of *Capacities* on 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 profile* is defined by one TSO (if the internal network is congested) or by two TSOs (if the *Interconnections* between their *Control Areas* are congested).

For all defined *Technical profiles* the standard ETSO methodology “Procedures for cross-border transmission capacity assessments” as published on www.etsa-net.org is adopted. According to *Regulation 1228/2003/EC* each TSO calculates above mentioned data for both directions.

The *Auction Rules* are constructed in accordance with the regulations set out by European law, in particular by the *Regulation 1228/2003/EC*, by compulsive national laws of *TSOs* and by regulations set out by national Regulatory Authorities .

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

Capacities are offered as firm as possible, i.e. concerned TSOs commit themselves vis-à-vis *Auction Office* to guarantee the *Allocated Capacity* with the exception of cases set out in

Article 10.1. Other possible *Capacity* restrictions may be stated in respective *Auction Rules* and/or published together with publishing of *ATC* values.

Auctions for yearly, monthly and daily *Capacities* for the year 2005 will be held in order to ensure that each reservation of *Capacity* on the *Commercial Profiles* between *TSOs* will be valid for both sides of the *Interconnection* where the *Capacity* is allocated. Available *Capacity* will be offered to the market participants through coordinated *Auction* procedure.

Exemption:

As SEPS decided not to participate in the co-ordinated auctions in 2005, capacities for the Commercial Profile PSE-O – SEPS in both directions will be allocated unilaterally. In consequence the physical use of the reserved capacities will require the allocation of the corresponding capacities in SEPS system in accordance with the rules provided by SEPS.

Article 1.3 **The Auction Office**

Auction Office is responsible for carrying out of the *Auctions* in accordance with the *Auction Rules*. *Auction Office* conducts the *Auctions* and provides the market participants and concerned *TSOs* with all relevant information. *TSOs* agreed that for *Auctions* for 2005, the function of *Auction Office* is provided by *CEPS*. Therefore, the contractual relations in the framework of these *Auctions* will be between *CEPS* and the *Auction Entity* only.

TSOs have committed themselves vis-à-vis *Auction Office* to make the *Capacity* available to the extent that it has been allocated to *Auction Participants*.

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 each of both directions of each of the *Commercial Profiles* mentioned in Article 4.2.

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

By notification of the *Auction* result *Auction Participant* gains a promise of the *Auction Office* that by settlement of the payment in accordance with Section 7 *Capacity* shall be allocated in accordance with notified *Auction* results with exception of cases set out in Article 10.1, i.e. *Auction Participant* gains *Promise of Capacity*. 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*, to reserve the transmission 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.

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

Auction Price is set out, independently of the actual use and other transmission fees if applicable, separately in each *Control Area*. The *Auction Entity* shall not be entitled to offset and/or withhold any debts arising in connection with obligations resulting from an *Auction* to any claims of the *Auction Office*, whether or not arising out of an *Auction*.

Article 2.2

Auctions

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

Auctions are held for Capacity to be reserved for each of both directions of each of the Commercial Profiles mentioned in Article 4.2. for the following Reservation Periods:

- for yearly *Auction* – *Reservation Period* starts on 1st January 2005 and ends on 31st December 2005,
- for monthly *Auction* – *Reservation Period* starts on the 1st day and ends on the last day of a calendar month of the year 2005,
- for daily *Auction* – *Reservation Periods* lasts for individual hour throughout 24 hours of a calendar day of the year 2005 (23 respectively 25 hours in the daylight saving time change days).

Auction Office indicates periods of planned curtailments of Offered Capacity as *Reservation Subperiods*. Auctions Office informs about *Reservation Subperiods* in Announcements of Auction Capacities.

The offered *Capacities* for yearly and monthly *Auction* will be published in Announcements of Auction Capacities on the website of the *Auction Office* <http://www.e-trace.biz> according to the deadlines set out in Annex 3. The offered *Capacities* for daily *Auction* will be published on the website of the *Auction Office* and in the *Auction ePortal* at 9:00 a.m. on the day of the daily *Auction*.

Section 3

Requirements for Participation in the Auction

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 *Auction Rules* which are published at the website of the *Auction Office* may take part in an *Auction*.

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

- Original or verified copy of the extract from the Commercial/Company register (in Czech, German, Polish or English language) not older then 3 months.
- A list of authorised representatives who are entitled to submit *Bids*.

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

Each *Auction Entity* is entitled to register in *Auction Office* one or more *Auction Participants* identified with unique *EIC Code*. *EIC-Code* of each of *Auction Participants* has to be different.

The Registration Form has to be delivered to *Auction Office* in writing by mail, messenger/courier or personally. Registration Form has to be delivered to *Auction Office's* address to mail room or reception of *Auction Office* (see Annex 2). Registration Forms delivered by fax will be nullit and void and will be rejected.

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

Auction Office will confirm the registration or send a refusal note of the registration to *Auction Entity* at latest two *Working Days* after receipt of the Registration Form by *Auction Office*. The confirmation or refusal note will be sent by e-mail and fax to e-mail address and fax number filled in Registration Form. If the *Auction Office* refuses to register a market participant, the reason(s) will be contained in the refusal note.

The deadline for delivery of the Registration Form to register *Auction Participant* for yearly Auction is the deadline for the delivery of *Bids* to the yearly Auction – deadline 2Y (see Annex 3) and the deadline for delivery of the Registration Form to register *Auction Participant* for relevant monthly Auction is the deadline for the delivery of *Bids* to the relevant monthly Auction – deadline 2M (see Annex 3).

For the registration and further requirements for daily *Auctions* see Article 6.2.

Auction Office will start the registration process on the date of publishing of the *Auction Rules* – the Registration Form delivered to *Auction Office* or signed before this date will be rejected.

The declaration is valid for an indefinite number of *Auctions for 2005*, notwithstanding the obligation for the *Auction Entity* to inform the *Auction Office* forth-with of any changes and notwithstanding the right of the *Auction Office* to request a renewal of the declaration.

Confirmation of the Registration Form creates a contract between *Auction Office* and *Auction Entity* for *Auctions* for 2005.

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

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

Exemption:

With regard to the fact that daily *Auctions* are carried out through *Auction ePortal*, *Auction Participant* who is interested in participating in a daily *Auction* is furthermore obliged to fulfil pre-requisites for access to the *Auction ePortal* stated in Article 6.2.

Only *Auction Participants* fulfilling the pre-requisites for use of the *Capacity* on the given *Commercial Profile* (see Section 8) may take part in the daily *Auction* on this *Commercial Profile*.

Auction Entity which does not fulfil payment conditions set out in Section 7 may be excluded from *Auction* procedures in accordance with rules determined in Section 7.

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 the pre-requisite for effective competition in the internal electricity market.

Following risk management instruments shall be accepted by Auction Office:

- a) *Auction Entity's* long-term credit rating of “BBB-” (S&P) or “Baa3” (Moody's) or “BBB-” (Fitch/IBCA) or higher – hereinafter “rating”. Such rating represents 5 000 000 EUR of *Credit Limit* for the *Auction Entity*. *Auction Entity* with rating must prove valid level of the rating by confirmation issued by one of mentioned rating agencies. Original or verified copy of the document must be delivered by *Auction Entity*

to *Auction Office* until the deadline 3Y for the yearly *Auction* or until the deadline 2M for the relevant monthly *Auction* to be included to calculation of the *Credit Limit*.

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

Hereinafter “deposit”. For details concerning the deposit see Annex 5.

- d) An promissory note with aval / coacceptance 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* which fulfils solvency pre-requisites may participate in an *Auction*. *Auction Office* accepts risk management instruments placed by *Auction Entity* together for all *Auction Participants* representing this *Auction Entity*.

The Solvency pre-requisites 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, promissory note (above mentioned Letter b), c), d)).

For monthly and yearly *Auction*, *Auction Participants* representing an *Auction Entity* are entitled to submit in sum as many *Bids* for all *Commercial Profiles* and directions, independent from each other, as *unutilised Auction Entity's Credit Limit* enables. The *unutilised Credit Limit* is checked after evaluation of the *Bids* (see Article 5.2)

The risk management instruments serve furthermore to ensure payments resulting from the yearly, monthly and daily *Auction* procedure.

If *Auction Office* obtains during the period an evidence that the rating of the *Auction Entity* was decreased below required rating, *Auction Office* will ask such *Auction Entity* for securing of the trading exposure by different risk management instrument as given by the *Auction Rules*.

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

A deposit can only serve as hedging instrument, but not as advance payment. Such part of the deposit which is not *utilised* and/or which was not exercised shall be returned based on the *Auction Entity's* request 14 calendar days after receipt of the request at the latest. The deposits

credited to the account of *Auction Office* established as a risk management instrument do not bear any interest, therefore *Auction Office* will not pay any interest to *Auction Entity*.

Auction Office will calculate the sum of all risk management instruments provided by the *Auction Entity* and accepted by the *Auction Office* as a limit for the *Auction Entity's* trading, so called *Credit Limit* (*Credit Limit* is calculated for trading performed by all *Auction Participants* identified with their unique *EIC-Codes* representing one *Auction Entity* in *Auction Office*).

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

- a) Before yearly and monthly Auctions as a sum of:
- i. Bank guarantees and promissory notes provided by the *Auction Entity* to the *Auction Office* if they are fulfilling the requirements determined by the *Auction Rules* and if they are delivered to the *Auction Office* until the deadline 3Y for the yearly *Auction* or until 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 deposits provided by the *Auction Entity* to the *Auction Office* that are credited to the account of *Auction Office* at latest one *Working Day* before the deadline 3Y for the yearly *Auction* or the deadline 2M for the monthly *Auction*. Regarding the deposits on the own account of the *Auction Entity*, only such deposits will be considered if the notification from the bank about increased deposit is delivered to the *Auction Office* at latest one *Working Day* before the deadline 3Y for the yearly *Auction* or the deadline 2M for the monthly *Auction*. Deadlines are specified in Annex 3. *Auction Office* is informed about such deposit increase simultaneously by *Auction Entity* (see Annex 5) and if there is any discrepancy *Auction Office* may verify the information in coordination with the bank.
- b) Before daily Auctions as a sum of:
- i. Bank guarantees and promissory notes provided by the *Auction Entity* to the *Auction Office* if they are fulfilling the requirements determined by the *Auction Rules* and if they are delivered to the *Auction Office* until 12 a.m. on the last *Working Day* before the day of 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 *Auction Office* at latest one *Working Day* before the daily *Auction*. Regarding the deposits on the own account of the *Auction Entity*, only such deposits will be considered if the notification from the bank about increased deposit is delivered to the *Auction Office* at latest at 3 p.m. one *Working Day* before the daily *Auction*. *Auction Office* is informed about such deposit increase simultaneously by *Auction Entity* (see Annex 5) and if there is any discrepancy *Auction Office* may verify the information in coordination with the bank.

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

Bank guarantees/promissory notes may be replaced or extended by a deposit or by an additional bank guarantee/promissory notes. Bank guarantees/deposits/promissory notes which are not *utilised* and/or which were not exercised will be returned based on the *Auction Entity's* request 14 calendar days after receipt of the request at the latest. In such a situation the *Credit Limit* is decreased by the amount of the deposit/bank guarantee/promissory note, which the *Auction Entity* requested to be returned, 1 calendar day after receipt of the request.

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

- In case of 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 *Auction* results notification, the part of the *Credit Limit utilised* in such an amount will be set to 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 *Auction Entity*. Such *utilised* part will be released after settlement of the whole payment (12 monthly payments) resulting from the yearly *Auction*.
- In case of monthly *Auctions*, on a day of *Auction* results notification 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 *Auction Entity*. Such *utilised* part will be released after settlement of the payment resulting from the monthly *Auction*.
- In case of daily *Auctions*, the *Credit Limit* is *utilised* at an amount of *Total Auction Entity's Bids Value* concerning daily *auction*. On the day of *Auction* results 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 *Auction Entity*. Such *utilised* part will be released after settlement of the payment resulting from the daily *Auction*.

The *Auction Office* is entitled to *utilise* the *Credit Limit* up to the amount the claim (as mentioned in the invoice) is unpaid, including VAT charge if applicable, if there is a well-founded apprehension 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 non-fulfilled solvency requirements.

The circumstances under which *Auction Office* is entitled to use the risk management instruments are defined in Section 7.

Section 4

Algorithm of Regional Coordinated Auctions

Article 4.1

Technical profiles in the region

Technical Profile ID	Technical Profile description
A	PSE-O – (VE-T+CEPS+SEPS)
B	VE-T – (PSE-O+CEPS) as a part of the technical profile between Germany and CENTREL
C	CEPS – PSE-O
D	CEPS – VE-T
E	PSE-O – SEPS necessary for calculation purposes

For offered capacities calculation the following list of existing long-term contracts are included in the value of *Already Allocated Capacity (AAC)*:

- AAC for transmission 442 MW on PSE-O \Rightarrow CEPS *Commercial Profile*.
- AAC for transmission 300 MW on PSE-O \Rightarrow SEPS *Commercial Profile*.

Article 4.2

Commercial Profiles in the Region

There are the following *Commercial Profiles* between TSOs (Control Areas) in the region:

- PSE-O – VE-T
- PSE-O – CEPS
- PSE-O – SEPS

Capacity allocated unilaterally – valid only on side of the PSE-O

- VE-T – CEPS

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

Article 4.3

Algorithm

Auction Office ranges all received *Auction Bids* in descending order according to the individual *Bid Price* (merit order), independent of *Commercial Profile* and direction the individual *Bids* are relating to.

Particular *Bids* are in above defined order (i.e. starting with the *Bid* with highest *Bid Price*) assigned to 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 base of technical constraints in the transmission systems.

Limits on Technical Profiles:

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

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

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

$$x_{3CV} \leq D_{out}$$

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

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

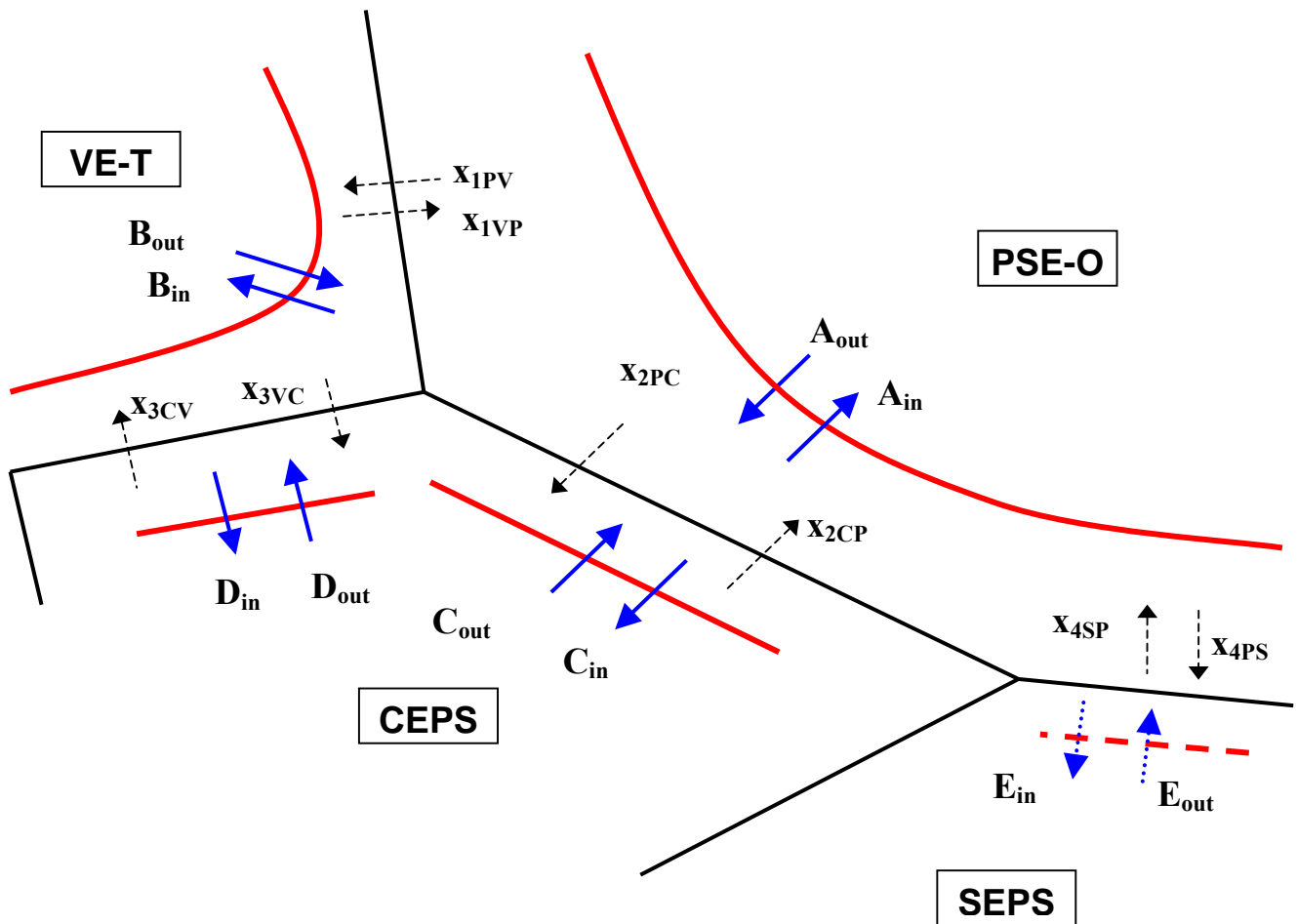
$$x_{1PV} + x_{3CV} \leq B_{in}$$

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

$$x_{3VC} \leq D_{in}$$

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

Technical constraints have an impact on the limit of transmission capacity *NTC* for given *Technical Profile*.



If the considered *Bid*, together with already accepted *Bids*, does not exceed limits on *Technical Profiles*, it will be accepted by *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 two *Technical Profiles*:

- The Considered *Bid* will not be accepted by *Auction Office* and will be rejected with mentioning of exceeded technical limit(s). There is an exception in daily *Auction*, where the *Auction Participant* has the possibility to indicate the divisibility of the *Bids 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 given limit is finished at this moment.
- On the basis of exceeded limit(s) on *Technical Profiles* the determination of the *Auction Price* will be executed.

If there are two or more *Bids* on the merit order for the same *Commercial Profile* and direction with identical *Bid Price* and the sum of all these *Bids* together with already accepted

Bids (for the given *Commercial Profile* and direction) exceeds the limit on one or two *Technical Profiles* (marginal *Bids*), then:

- In the yearly and monthly *Auction*, all marginal *Bids* with the same *Bid Price* are not accepted and the remaining *Capacity* is kept free for the next *Auction* (monthly or daily, respectively).
- In the daily auction, marginal *Bids* are accepted in order of their individual “time stamp” according to the “First-Come-First-Serve-Principle”.

Determination of the Auction Price

If no limits on *Technical Profiles* related to the given *Commercial Profile* and direction are exceeded, 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 two *Technical Profiles*, for *Auction Price* determination the following rules are applied:

a) It has come to the exceeding of only one limit on *Technical Profiles*:

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 previous exceeding of other defined limits on the *Technical Profiles*,

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) It has come to a simultaneous exceeding of two limits on the *Technical Profiles*:

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

This procedure has as a result two *Auction Prices* for a given *Commercial Profile* and direction set by the two exceeded limits. The *Auction Price* is determined firstly by the procedure described in Letter a) above on the basis of the exceeded limit on the *Technical Profiles* to which the higher of indicated *Auction Prices* corresponds; then on the basis of the second exceeded limit on the *Technical Profiles*.

The Auction Participant is obliged to pay the *Auction Price* determined for the *Commercial Profile* and direction for each MW of *Promise of Capacity*.

Example 1

The following figure shows an easy example of the *Auction* algorithm in cases according to 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
- $A_{in} = B_{out} = C_{out} = D_{in} = D_{out} = E_{out} =$ high limit

Id.	From	To	Auction Participant	Bid Amount	Bid Price	Limit	Limit	Limit	Limit	Limit
				MW	Eur/MW	A_{out}	B_{in}	C_{in}	D_{out}	E_{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	40	x
4	PSE-O	CEPS	C	50	1 114	145	x	50	x	x
5	PSE-O	SEPS	A	50	804	195	x	x	x	50
6	PSE-O	CEPS	C	25	727	220	x	75	x	x
7	PSE-O	CEPS	A	50	596	270	x	125	x	x
8	PSE-O	SEPS	D	45	479	315	x	x	x	95
9	PSE-O	SEPS	D	50	310	365	x	x	x	145
10	CEPS	VE-T	B	40	250	x	175	x	80	x
11	CEPS	VE-T	C	30	220	x	205	x	110	x
12	PSE-O	VE-T	E	10	100	x	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

* The Capacity at the Commercial Profile PSE-O – SEPS in both directions is offered and allocated in accordance with the Auction Rules unilaterally for the PSE-O side of the Interconnection.

Example 2

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

Limits on Technical Profiles:

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

Id.	From	To	Auction Participant	Bid Amount	Bid Price	Limit	Limit	Limit	Limit	Limit
				MW	EUR/MW	A _{out}	B _{in}	C _{in}	D _{out}	E _{in}
1	PSE-O	VE-T	A	50	3 250	50	50	x	x	x
2	PSE-O	VE-T	B	50	3 200	100	100	x	x	x
3	PSE-O	VE-T	A	45	1 561	145	145	x	x	x
4	CEPS	VE-T	B	40	1 306	x	185	x	40	x
5	PSE-O	CEPS	C	50	1 114	195	x	50	x	x
6	PSE-O	SEPS	A	50	804	245	x	x	x	50

7	PSE-O	CEPS	C	25	727	270	x	75	x	x
8	PSE-O	SEPS	D	45	479	315	x	x	x	95
9	PSE-O	VE-T	D	50	310	365	235	x	x	x
10	PSE-O	VE-T	B	40	250	x	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

* The Capacity at the Commercial Profile PSE-O – SEPS in both directions is offered and allocated in accordance with the Auction Rules unilaterally for the PSE-O side of Interconnection.

Example 3

Limits on Technical Profiles:

- $A_{out} = 350$ MW, $B_{in} = 200$ MW, $C_{in} = 200$ MW, $E_{in} = 160$ MW
- $D_{out} = 120$ MW, $A_{in} = B_{out} = C_{out} = D_{in} = E_{out} =$ high limit

Id.	From	To	Auction Participant	Bid Amount	Bid Price	Limit	Limit	Limit	Limit	Limit
				MW	Eur/MW	A_{out}	B_{in}	C_{in}	D_{out}	E_{in}
1	CEPS	VE-T	A	30	4 320	x	30	x	30	x
2	CEPS	VE-T	A	50	3 570	x	80	x	80	x
3	CEPS	VE-T	B	40	2 350	x	120	x	120	x
4	PSE-O	VE-T	C	50	1 500	50	170	x	x	x
5	CEPS	VE-T	A	20	1 304	x	190	x	140	x
6	PSE-O	VE-T	C	15	927	65	185	x	x	x
7	PSE-O	VE-T	D	20	596	85	205	x	x	x
8	PSE-O	SEPS	D	45	479	130	x	x	x	45
9	CEPS	VE-T	C	30	220	x	x	x	x	x
10	PSE-O	VE-T	E	10	100	x	x	x	x	x

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

- Firstly, the limit D_{out} was exceeded (exceeding of limit on Technical Profiles)
 - *The Auction Price on the Commercial Profile and in the directions CEPS → VE-T is equal to 2 350 EUR/MW,*
 - *Auction Participant A will be provided with a Capacity of 80 MW on the Commercial Profile and in the direction CEPS → VE-T,*
 - *Auction Participant B will be provided with a Capacity of 40 MW on the Commercial Profile and in the direction CEPS → VE-T, i.e. together in the direction from CEPS (D_{out}) 120 MW.*
- Secondly, the limit B_{in} was exceeded
 - *The Auction Price on the Commercial Profile and in the direction PSE-O → VE-T equals 927 EUR/MW, the Auction Price on the Commercial Profile and in the direction CEPS → VE-T was determined in the previous step.*
 - *Auction Participant C will be provided with a Capacity of 65 MW on the Commercial Profile and the direction PSE-O → VE-T, i.e. together in the direction to VE-T (B_{in}) 185 MW*
 - *Auction Participant D was provided with a Capacity of 45 MW on the Commercial Profile and in the direction PSE-O → SEPS.*

Results

From	To	Auction Participant	Promise of Capacity	Auction Price
			MW	EUR/MW
CEPS	VE-T	A	80	2 350
		B	40	2 350
PSE-O	VE-T	C	65	927
PSE-O	SEPS*	D	45	0

* The Capacity at the Commercial Profile PSE-O – SEPS in both directions is offered and allocated in accordance with the Auction Rules unilaterally for the PSE-O side of the Interconnection.

Section 5

Specific Rules for the Yearly and Monthly Auctions

Article 5.1

Bids for the Reservation of Capacity

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

- In closed envelopes marked with the following lettering "Yearly Auction of Transmission Capacities for the year 2005 – NEOTVÍRAT – DO NOT OPEN UNTIL DEADLINE" in case of a yearly *Auction*.

In case of the monthly *Auction* procedure, the lettering shall be: "Monthly Auction of Transmission Capacities for *name of the month* 2005 – NEOTVÍRAT – DO NOT OPEN UNTIL DEADLINE".

- By fax. *Bids* that are submitted by fax in time will be considered. *Auction Office* does not take any responsibility for the security and legibility of data transmitted by fax. *Auction Office* will immediately confirm by fax message those *Bids* that were delivered in time. Only confirmed *Bids* will be considered in the *Auction*.

Bids have to be delivered to the *Auction Office*'s address to mail room or reception of *Auction Office* or fax number (see Annex 2) until deadline 2Y for the yearly *Auction* or deadline 2M for the monthly *Auction*. Deadlines are specified in Annex 3.

Each Bid Sheet (shown in Annex 8 for yearly Auction and Annex 9 for monthly Auction) must contain the following unambiguous and legible specifications:

- a) Identification of *Auction Participant* who submits the *Bids* (name of *Auction Entity* who registered this *Auction Participant*, unique *EIC-Code*), name of 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 specification:
 - i. 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 50 MW,
 - ii. *Bid Price* in EUR/MW with maximum two decimals *Bid Price* has to be equal to zero or bigger than zero, *Bid Price* of each 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* form with maximum 20 *Bids*.
- d) Signature of the person whose name is entered in the *Bid Sheet*.

Bid Sheets/Bids specifying all data mentioned above must be submitted, without any reservation, in the format shown in Annex 8 for the yearly *Auction* / shown in Annex 9 for the monthly *Auction*, respectively. *Bid Sheets/Bids* are binding and cannot be modified after the delivery. The *Auction Participant* may withdraw its *Bid Sheet*. If *Bid Sheets* are submitted in

sealed envelope, the entire envelope has to be withdrawn (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 until deadline 2Y for yearly *Auction* or until deadline 2M for the monthly *Auction*. Deadlines are specified in Annex 3. *Auction Office* will immediately 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 fulfil requirements specified in this Article will be excluded and will not be included among assessed *Bid Sheets/Bids*, e.g. in case of two or more *Bids* of one *Auction Participant* on the same *Commercial Profile* and direction with the same *Bid Price*, all these *Bids* with the same *Bid Price* will be excluded.

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

Article 5.2 **Auction Proceeding**

The *Auction Office* accepts all unopened-envelopes and faxes which are received until deadline 2Y for the yearly *Auction* or until deadline 2M for the monthly *Auction*. After expiry of the deadline, the envelopes submitted according to Article 5.1 will be opened.

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* (preliminary *Auction Price* and preliminary *Promised Capacity*) will be checked with *Auction Entity's unutilised Credit Limit*. If the outstanding liability of the *Auction Entity* for monthly *Auction* or 1/12 of outstanding liability for the yearly *Auction* exceeds the *Auction Entity's unutilised Credit Limit*, all *Auction Participant's Bids* will be excluded and will not be included among assessed *Bids*. The evaluation according to Section 4 and according to this paragraph will be run once again after exclusion of all *Auction Participant's Bids* of all *Auction Entities* refused according to this paragraph.

Procedure determined in previous paragraph will be repeated if the outstanding liability for monthly *Auction* respectively 1/12 of outstanding liability for the yearly *Auction* of any of the *Auction Entities* exceeds its *Auction Entity's unutilised Credit Limit*.

Any remaining *Capacity* in the yearly *Auction* will be offered in the monthly *Auctions*. Remaining *Capacity* in the monthly *Auctions* will be offered in the daily *Auctions*.

Article 5.3 **Notification of the Results of an Auction**

The *Auction Office* will notify the following data by fax message to participants of a specific *Auction* up to deadline 4Y for the yearly *Auction* or up to deadline 3M for the monthly *Auction*. Deadlines are specified in Annex 3:

- Specification of *Commercial Profile* and direction.

- Period of reservation.
- *Promise of Capacity* to the *Auction Participant* in MW.
- *Auction Price* in EUR/MW.
- Payment for the reservation of *Capacity* in EUR.

Section 6

Specific Rules for the Daily Auction

The daily *Auctions* procedure set out by these *Auction Rules* will be announced at least 15 days before the beginning of the procedure.

Article 6.1 **Auction ePortal**

The co-ordinated *Auction* of the daily available *Capacity* will be organised and executed electronically by the *Auction Office* in the *User* environment of the *Auction ePortal*.

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

The Auction Office will provide *User* support to each *User* of the system “*Auction ePortal*”.

The Auction Office reserves the right to change operationally a business day regime – e.g. time closures in reasonable cases, especially in case of following technical problems: general collapse of the Internet, collapse of all Internet connections of the Auction ePortal, collapse of Auction ePortal (servers, database or Auction ePortal application error). If due to such a problem the offered *Capacities* of a daily *Auction* cannot be published until 9:45 a.m., the daily *Auction* for this day will not be organised and such a case may not be subject of any compensation. If due to such a problem the results of daily *Auction* are not published until 10:15 a.m., the daily *Auction* will be cancelled for this day and such a case may not be subject of any compensation. All *Users* of the *Auction ePortal* will be informed immediately about the actual operational situation.

If the *Auction ePortal* and/or the website <http://www.e-trace.biz> is interrupted and/or suspended before publishing of the offered *Capacities* for the daily *Auction*, the daily *Auction* will not be organised. All relevant *Users* of the system *Auction ePortal* will be informed immediately of the interruption and/or suspension of the system *Auction ePortal*.

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

A data receipt will become valid only if the data was accepted by the *Auction ePortal* server by the deadline and if the *Auction ePortal* confirmed receipt. After the deadline such a receipt of given data will be rejected due to the deadline expiration.

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

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

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

Article 6.2 **Access to the Auction ePortal**

Each *User* is required to use, for the purposes of the *Auction ePortal* access and business transactions execution via the *Auction ePortal*, only electronic signatures and certificates which comply with requirements specified in Annex 12 of the *Auction Rules*.

After an *Auction Participant* has become registered (see Article 3.2) its *User* accounts can be set up in the *Auction ePortal*. *Auction Participant* shall submit a completely filled in application form for set up/modification of the *User* accounts for all its *Users* (see Annex 11). All the sections of the form must contain complete and true information. Simultaneously the *User* shall submit to helpdesk.trade@ceps.cz electronically signed e-mail containing identification of *Auction Entity*, *Auction Participant*, *User* and information for which purposes the certificate by which the e-mail is signed will be used (the *Auction ePortal* access or business transactions execution via the *Auction ePortal* or both). The *User* account set up or *User* account change shall be done by Auction Office within 3 *Working Days* after the handover of such an application.

Each new *User* or *User* with changed *User* account is informed about set up/changes of his *User* account by e-mail to a contact address mentioned in its application form. Such an e-mail includes entry key consisting of a *User* name (login) and a new password in case of set up a valid for the new *User*. *User* shells keep this information as personal confidential.

The Auction Office shall be entitled to verify the information stated in such form and not to set up the *User* account in the case of finding any discrepancy in the facts. *The Auction Office* shall be entitled to prevent the *User* from accessing the *Auction ePortal* in the case of finding any discrepancy such as, but not limited to, information on the *User*, the certificate, or expiration of the certificate, or if 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 company.

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

The *User* account environment particularly includes:

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

Article 6.3 **Bids for the Reservation of Capacity**

In order to participate in the daily *Auction* procedure, *Bids* shall be submitted to the *Auction ePortal* by completing the form in the *User* account environment or by XML file.

Only *Auction Participants* fulfilling the pre-requisites for use of the *Capacity* on the given *Commercial Profile* (see Section 8) may take part in the daily *Auction* on this *Commercial Profile*.

For further consideration each *Bid* must contain the following unambiguous and legible specifications:

- a) Identification of the *User*,
- b) Specification of the *Commercial Profile* and transmission direction,
- c) The day the *Bid* refers to,
- d) For each hour of the day *Bids* with following specification:
 - i. 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 *Capacity* offered for *Technical Profile(s)* which includes the given *Commercial Profile*.
 - ii. *Bid Price* in EUR/MW with max. two decimals *Bid Price* has to be equal to zero or bigger than zero.
- e) Optional indication of divisibility/indivisibility of requested *Capacity*.

Each *Auction Participant* shall deliver its *Bids* in the period starting by offered *Capacity* publication up to 9:45 a.m. in the *Auction ePortal* with exception of the change of this time closure according to change of a business day regime (see Article 6.1).

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

The *Bids* shall be binding until the end of the *Auction* and cannot be modified after deadline for delivery.

In case of a 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*, i.e. each set of *Bids* delivered in one data file to the *Auction ePortal* exceeding the *Auction Entity's unutilised Credit Limit* will be excluded and will not be included among the assessed *Bids*

After entering the *Bids*, the *Auction Participant* receives a confirmation. In case of any failure the entering of the *Bids* will be refused and the *Auction Participant* will be informed about the reason(s) of refusal.

Confirmation receipt of *Bids* at the *Auction ePortal* is the decisive criterion in meeting the time limit.

Bids which do not fulfil the requirements stated in this Article will be excluded and will not be included among the assessed *Bids*.

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 6.4
Results of an Auction

The Auction Office will publish only aggregated results of the daily *Auction* procedure daily at 10:00 a.m. in the *Auction ePortal* and on the website of the *Auction Office* <http://www.e-trace.biz>.

- a) Date and period of reservation,
- b) Specification of *Commercial Profile* and direction,
- c) Sum of *Capacity* requested by *Auction Participants* for each hour in MW,
- d) Sum of *Capacity* allocated to *Auction Participants* for each hour in MW,
- e) *Auction Price* for each hour in EUR/MW.

Each *Auction Participant* shall visit the *Auction ePortal* after 10 a.m. Following data are available for the *Auction Participant* in *Auction ePortal*.

- a) Date and period of reservation,
- b) Specification of *Commercial Profile* and direction,
- c) Allocated *Capacity* to the *Auction Participant* for each hour in MW,
- d) *Auction Price* for each hour in EUR/MW.

Section 7 Payment

Article 7.1

General provisions

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

The Auction Office will make adjustments of the amount due in case of increases or decreases, introduction or abolition of taxes, duties or other comparable situations.

Invoices have to be paid not later than on the mature date stated on the invoice, free of charge and without deduction and/or offsetting.

Auction Office will invoice *Auction Entity* for amounts due resulting from the reservation of *Capacity* to all *Auction Participants* registered in *Auction Office* by this *Auction Entity*.

Original invoices are sent to the concerned *Auction Entity* by letter. Copies of the invoices are sent by fax on the issue date of the invoice.

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

In case of delayed payment *Auction Office* is entitled to charge interest rates on the due amount for each commenced day of 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.

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

Information about received payments is processed - as a basic principle - by the *Auction Office* to the *Auction Entity* until 9:00 a.m. of the day following the date of payment.

If the data about received payments are not be processed till 9.00 a.m. of the day following the date of payment because of e.g. *Auction Office's* technical difficulties, the amount due may considered to be paid for the purpose of releasing the utilised part of the credit limit.

Based on the information about received payments from *Auction Entity* the *utilised* part of the *Credit Limit* of such *Auction Entity* will be released (see Article 3.2).

Each payment is identified by payment identification number which is a number of invoice. The payments will be matched with the debt (issued invoices) via payment identification number stated as number of the invoice and 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 final manual clearance. The processing deadline of 9.00 a.m. is not relevant for the *Auction Office* in such case.

Currency relevant for the invoicing is EUR. *Auction Office* may invoice amount of VAT to the *Czech Auction Entities* in CZK. In such a case, the transaction is considered as paid when at least the payment in EUR, i.e. excluding VAT, is received.

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", following VAT mode will be used:

- Mode of the "Reverse charge mechanism" – in case of *Auction Entities* who declare their VAT registration in a EU member state (with the exception of the Czech Republic). In this mode *Auction Entities* must provide *Auction Office* their European VAT No and are obliged to settle the VAT issues with the respective national tax office.
- VAT as given by Czech law mode (currently 19%) – in case of *Auction Entities* who declare their VAT registration in the Czech Republic or who declare their VAT registration in non EU member state or who do not declare any VAT registration. In this mode *Auction Office* will charge VAT to the payment and will show it separately on the invoice.

Each *Auction Entity* is obliged to provide *Auction Office* with information whether he has a stable office ("stála provozovna") in the Czech Republic for the VAT purpose and any changes throughout the year in this respect under sanction that all penalties and charges set by Czech financial authorities to the *Auction Office* for incorrect tax treatment must be paid by the *Auction Entity*.

Article 7.2
Yearly Auction

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

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

The monthly invoice is issued until the deadline 5Y for the relevant month (see Annex 3). The maturity date of the invoice shall be the deadline 6Y for the relevant month (see Annex 3).

If the payment is not settled on the maturity date, the *Auction Office* will warn the *Auction Entity* on the following calendar day by fax and by e-mail that payment of the invoice has not been received.

If the payment is not received until deadline 7Y 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 7Y for the relevant month (see Annex 3).

- *The Auction Office* immediately initialises exercising of the bank guarantee / deposit / promissory note in the case of the *Auction Entity* with a bank guarantee / deposit / promissory note.
- *The Auction Office* notifies the *Auction Entity* that the bank guarantee/deposit/promissory note is exercised and that the *Credit Limit* must be increased to keep the *Promise of Capacity* gained by *Auction Participant* via the yearly *Auction* valid – in the case of the *Auction Entity* with a bank guarantee / deposit / promissory note. In case of the *Auction Entity* with rating the *Auction Office* will initiate proceedings according to Article 11.4.
- The participation of all *Auction Participants* registered by *Auction Entity* for the Auctions in the year 2005 may be suspended until the date when all payments of the *Auction Entity* are settled.

In case that the overdue invoice resulting from the yearly *Auction* is not received by the deadline 6Y for the relevant month (see Annex 3) and/or *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 *Promise of Capacity* gained via year *Auction* for rest of all remaining months of the year. Such released *Capacity* will be added to the offered *Capacities* on consequent *Auctions*.

Article 7.3 **Monthly Auction**

Payment for the reservation 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 invoice issued by *Auction Office*.

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

If the payment is not settled on the maturity date, the *Auction Office* will warn the *Auction Entity* on the following *Working Day* by fax and by e-mail that payment of the invoice has not been received.

If the payment is not received until 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 initialises exercising of the bank guarantee/deposit/promissory note in the case of the *Auction Entity* with a bank guarantee/deposit/promissory note.
- *The Auction Office* notifies the *Auction Entity* that the bank guarantee/deposit/promissory note is exercised in the case of the *Auction Entity* with guarantee/deposit/promissory note. In case of the *Auction Entity* with rating the *Auction Office* will initiate proceedings according to Article 11.4.

- The participation of all *Auction Participants* registered by *Auction Entity* for the Auctions in the year 2005 may be suspended until the date when all payments of the *Auction Entity* are settled

Article 7.4 **Daily Auction**

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

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

If the payment is not settled on the maturity date, the *Auction Office* will warn the *Auction Entity* on the following *Working Day* by fax and by e-mail that the payment of the invoice has not been received.

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

- *The Auction Office* immediately initialises exercising of the bank guarantee / deposit / promissory note.
- *The Auction Office* notifies the *Auction Entity* that the bank guarantee/deposit/promissory note is exercised.

Section 8

Use of the Allocated Capacity

Article 8.1

National Commercial Terms and Conditions

The TSOs set the following prerequisites for use of the Allocated Capacity and for the use of their transmission networks:

- **On VE-T side** – a valid and effective balancing contract with VE-T. The balancing contract contains, inter alia, a reciprocity clause in accordance with German law according to which the *Auction Participant* has to obtain prior approval of VE-T for deliveries into the *Control Area* of VE-T if the energy directly or indirectly originates from abroad. If the *Auction Participant* intends to use the *Allocated Capacity* solely for a transit of energy from the transmission networks of CEPS and/or PSE-O through the transmission network of VE-T to another *Control Area*, VE-T declared to waive prior approval for the individual transaction. A transit of energy is presumed if the capacity contained in the schedule for deliveries to the *Auction Participants*' balance from the transmission networks of CEPS and/or PSE-O equals for each ¼-h the capacity contained in the schedule for deliveries from the same Auction Participant's balance to another *Control Area*. In all other cases, the reciprocity clause remains valid without restrictions.
- **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 PSE-O side** – a valid and effective agreement for transmission services defining in particular cross – border exchange participation conditions

Article 8.2

"1:1" – System

For the Long-term contracts there is a special regime of notification applied.

The *Allocated Capacity* may only be used by the *Auction Participant* if the *Auction Participant* fulfils the "1:1" – system and the pre-requisites for cross-border transmission network use on the given *Commercial Profile*. The "1:1" – system is based on one *EIC-Codes* nomination. Each of *Auction Participants* (identified with *EIC-Code*) representing *Auction Entity* may constitute only one "1:1" couple on respective *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 pre-requisites for conclusion of cross-border transmission on Commercial Profile "A-B" may be fulfilled by 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 (Auction Entity X with registered EIC-Code X1) fulfils the conditions of both concerned TSOs as stated in Article 8.1 for the use of Capacity and for the use of their transmission networks (TSO A and TSO B)*
 - b) *Auction Participant X1 (Auction Entity X1 with registered EIC-Code X1) – Auction Participant Y1 (Auction Entity Y with registered EIC-Code Y1)**
 - i. *Auction Participant X1 (Auction Entity X1 with registered EIC-Code X1) fulfils the conditions of one concerned TSO as stated in Article 8.1 for the use of Capacity and for the use of the TSO's transmission networks (TSO A) and*
 - ii. *Auction Participant Y1 (Auction Entity Y with registered EIC-Code Y1) fulfils the conditions of second concerned TSO as stated in Article 8.1 for the use of Capacity and for the use of the TSO's transmission networks (TSO B) and*
 - iii. *Auction Participant X1 (Auction Entity X1 with registered EIC-Code 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 (Auction Entity Y with registered EIC-Code Y1) notifies his exclusive representative (Auction Participant X1) for the Commercial Profile „A-B“ in TSO A networks.*

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

The *Auction Office* will carry out the registration of the *Auction Participants* who fulfil "1:1" - system pre-requisites 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)) / the *Auction Participant* and his exclusive representative together (in case of Letter b)) have to deliver a notification (see Annex 14) with the specification of required validity and efficiency of the exclusive representation registration by fax until 12:00 a.m. 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 rules for registration of 1:1 couple which are 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 *Auction Office* will accept notifications delivered until 12:00 a.m. of the 5th *Working Day* before the 1st day of the remaining part of a calendar month for which notification/registration should be valid. *Auction Office* will accept the notifications delivered in the additional mode on condition that none of the EIC codes (EIC codes of exclusive representatives stated in notification) was registered in "1:1" – system for given calendar month and *Commercial Profile*. *Auction Participant* therefore is not entitled to change in the additional mode its already registered 1:1 couple for the given calendar month. Registration requested in the additional mode is valid at least till the end of the calendar month in which validity starts. In confirmation of the registration of 1:1 couples notified in the additional mode *Auction Office* will specify start of the validity period. In case of notification delivered until 12:00 a.m. validity period starts on 5th *Working Day* after the notification delivery. In case of notification delivered after 12:00 a.m. validity period starts on 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/ Auction Participant* and his exclusive representative and the registration of the exclusive representation becomes valid.

Auction Office registers 1:1 couple after checking whether EIC Codes notified in the 1:1 couple are published on ETSO webpage (<http://www.edi.ets-net.org/eic/cds/allocated-eic-codes.xml>).

Article 8.3 **Scheduling**

The use of the *Allocated Capacities* in compliance with the requirements stated in Article 8.1 and 8.2 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.

At the moment (November 2004) the time limits are as follows:

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

CEPS	until 8:00 a.m.
VE-T	until 8:00 a.m.
PSE-O	until 7:45 a.m.

Modifications of schedules after this time are not possible. 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 be made available to all market participants under the daily auction procedure.

- In case of the *Allocated Capacity* from the daily *Auction* the schedules must have been received for the following day by

CEPS	until 1:00 p.m.
VE-T	until 2:30 p.m.
PSE-O	until 12:00 a.m.

Modifications of schedules after this time are not possible. 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.

CEPS, PSE-O and VE-T reserve their rights to change their respective national commercial requirements for the use of the *Allocated Capacities* determined by Section 8.1.

Section 9

Transfer of Allocated Capacities

Article 9.1 General rules

Capacity transfer will be provided via *Auction ePortal* for *Capacity* allocated via yearly and/or monthly *Auction*. The procedure of *Capacity* transfer set out by this *Article* will be announced at least 15 days before the beginning of the procedure.

The *Auction ePortal* contains information on *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 has been allocated *Capacity* is allowed to transfer the *Allocated Capacity* to another *Auction Participant* on a self-service basis. Only allocated *Capacity* is freely transferable. *Auction Participants* willing to assign *Allocated Capacity* to another *Auction Participant* representing same *Auction Entity* is entitled to transfer it in accordance with the rules stated in this Section 9.

The *Capacity* may be transferred only for whole calendar days, i.e. the transferred *Capacity* has to be the same for all hours of the given calendar day (baseload). Transfer of the *Capacities* on an hourly basis is expected to be implemented during the year 2005 and the *Auction Participants* will be informed in detail in due time.

Both *Auction Participants*, i.e. *Auction Participant* transferring (*transferor*) and *Auction Participant* gaining *Capacity* (*transferee*), accept that all rights and obligations resulting from these *Auction Rules* with exception of payment for the reservation of *Capacity* obligation are transferred together with the *Capacity* and *transferor* is a guarantor.

Auction Participants who want to transfer *Allocated Capacity* may offer *Capacity* transfer in any time period and any amount through the *Auction ePortal*. *Capacity* transfer should be confirmed by a transferee within 4 hours however until D-2 2:00 p.m. at latest otherwise the transfer is cancelled and the capacity remains to the *transferor*.

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

If an *Auction Participant* submits an offer for *Capacity* transfer according to the rules stated above, 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 about the reason(s) of refusal.

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

Both *Auction Participants* 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 about the reason(s) of refusal.

With regard to the fact that *Capacity* transfers are carried out through *Auction ePortal* both *Auction Participants* have to fulfil pre-requisites for access to the *Auction ePortal* stated in Article 6.2.

Capacities allocated via daily Auctions cannot be transferred to other Auction Participants.

Article 9.2
Interim rules


Until the start of the system of *Capacity* transfer described above, capacity can be transferred by the following way:

Capacities allocated via yearly and/or monthly Auctions for the time before the start of the system may be transferred only for whole calendar week(s) (Monday to Sunday) to other *Auction Participants*. In the case that a month divides a calendar week into two parts, each of these parts will be treated like a whole calendar week. The example mentioned in following figure shows the calendar month January 2005 and the allowed periods for *Capacity* transfer.

The transferred *Capacity* has to be the same for all hours in the given calendar week. Involved *Auction Participants* have to inform the *Auction Office* about the planned transfer in writing until 12 a.m. of the 5th *Working Day* before start of transfer period at the latest by delivery of the Transfer Form (see Annex 10). The transfer becomes effective by receipt of the *Auction Office's* confirmation of the transfer registration by both involved *Auction Participants*.

January						
Mo	27	3	10	17	24	31
Tu	28	4	11	18	25	
We	29	5	12	19	26	
Th	30	6	13	20	27	
Fr	31	7	14	21	28	
Sa	1	8	15	22	29	
Su	2	9	16	23	30	

Allowed transfer periods
01.01. - 02.01.
03.01. - 09.01.
10.01. - 16.01.
17.01. - 23.01.
24.01. - 30.01.
31.01.

 deadline for delivery of Assignment Form

Unless stated otherwise, the rules for transfer as laid down in Article 9.1 will apply mutatis mutandis.

Section 10 Capacity Curtailment

Article 10.1 Priority Order for Capacity Curtailment

Capacity offered and/or allocated in the *Auction* may be curtailed in emergency situations where the TSO must act in an expeditious manner or in the case of *Force Majeure*.

In such a case the following curtailment order will be used:

- a) *Capacity* offered for daily and/or monthly *Auctions*.
- b) *Capacity* promised and/or allocated in daily *Auctions*.
- c) *Capacity* promised and/or allocated in monthly *Auctions*.
- d) *Capacity* promised and/or allocated in yearly *Auctions*.

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

Auction Entity represented by *Auction Participant* whose *Allocated Capacity* has been curtailed shall be compensated in accordance with Article 10.2.

Each TSO is responsible for the execution of accepted schedules in accordance with the individual rules if the schedules are accepted by both concerned TSOs. This also applies to commercial profile PSE-O – SEPS.

Article 10.2 Compensation for Allocated Capacity Curtailment by 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:

$$\text{Compensation Y} = \frac{\text{Auction Price (Yearly Auction, Commercial Profile, direction)}}{T}$$

$$\text{Compensation M} = \frac{\text{Auction Price (Monthly Auction, Commercial Profile, direction)}}{T}$$

$$\text{Compensation D} = \text{Auction Price (Daily Auction, Commercial Profile, direction)}$$

“T” is the *Reservation Period* in hours.

In the case of curtailment each *Auction Entity* represented by *Auction Participant* whose *Allocated 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 immediately inform each *Auction Participant* whose *Allocated Capacity* has been curtailed. *The Auction Office* will inform the *Auction Entity* represented by this *Auction Participant* respectively this *Auction Participant* about his Compensation by liquidated damages until the 5th calendar day of the month following the curtailment.

The Auction Office will pay the compensation by liquidated damages amount by means of credit note.

Further claims for damages and for fulfilment of the compensated obligation to provide uncurtailed capacity are excluded in that case.

In the case of *Force Majeure* there is no right to the *Auction Entity* represented by *Auction Participant* whose *Allocated Capacity* has been curtailed for any compensation.

Section 11

Miscellaneous

Article 11.1

Liability

The Auction Office shall not be liable for any damage caused by slight negligence. Unless in a case of wilful misconduct, the following rules apply: Claims for damages arising out 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 € 100 000 in total.

The same limitations apply to CEPS (in its function as TSO), PSE-O and VE-T, should they be considered liable despite the fact that the contract is concluded between the Auction Office and the Auction Participant. The limit of € 100 000 in that case counts for the Auction Office, CEPS (in its function as TSO), PSE-O and VE-T together.

The amount of Liquidated damages paid according to article 10.2 is included in the settlement of compensation of any damages.

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. PSE-O and VE-T have undertaken a similar obligation vis-à-vis CEPS.”

Article 11.2

Communication

The contact persons appointed for communication are listed in Annex 2. The *Auction Office* and each *Auction Entity* have the right to change the list of the contact persons. They shall inform each other immediately, by e-mail or by fax, in case any of its contact details have changed, such new contact details being considered official on the Working Day following the sending of the e-mail or the fax.

These *Auction Rules* and all related notices, legal procedures and communications thereunder 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 difficulty in using e-mail, notices may be served by fax, hand delivery, courier or post, with such service deemed effective on the date of receipt.

In case of any uncertainty, the *Auction Participants* / *Auction Entity* or the *Auction Office* respectively are entitled to ask the sending party for repeated delivery.

The whole communication with the *Auction ePortal* will be archived by the *Auction Office*. Telephone communication between the *Auction ePortal* Operators and *Auction ePortal Users* is monitored and recorded by the *Auction Office*. Each *Auction Participant* and/or *Auction Entity* as well as *Auction Office* undertake herein not to dispute or claim as invalid any acting carried out via *Auction ePortal* according to these *Auction Rules*, on the basis that respective act have been done in the form of an electronic data exchange. Furthermore, each *Auction Participant* and/or *Auction Entity* as well as *Auction Office* state that they shall consider their mutual data logs from the databases of *Auction Office* and/or any recordings of telephone conversations between *Auction Office* and *Auction ePortal User*, made in line with these *Auction Rules*, to be reliable evidence, unless an opposite situation proves to be the truth.

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 from the *Auction ePortal*.

If the *Auction ePortal* and/or the website <http://www.e-trace.biz> is interrupted and/or suspended all relevant *Users* of the *Auction ePortal* will be informed immediately of the interruption and/or suspension of the *Auction ePortal*.

Communication with *Users* of the *Auction ePortal* in extraordinary situations is determined by Annex 13.

Article 11.3 **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 its 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*. The *Auction Participant* undertakes in particular to make sure that:

- The *Auction ePortal User* entitled to submit *Bids* keep their private key so that no other person(s) can get access to such a key;
- The *Auction ePortal Users* entitled to submit *Bids* shall use their private key and a certificate exclusively in line with the *Auction Rules* for their communication;
- The *Auction ePortal Users* entitled to submit *Bids* shall inform the *Auction Office* immediately of any disclosure or possible disclosure of their private key.

The *Auction Office* is entitled to proceed all data of the *Auction Participant* / *Auction Entity* and the *Auctions* to PSE-O and VE-T and to publish it according to the terms of these *Auction Rules*.

For the rest, CEPS, PSE-O and VE-T undertake not to use or otherwise process the data obtained by it pursuant to these *Auction Rules* for any purpose except as strictly required for the performance of its obligations hereunder, or disclose any such information or related

information to any third party other than those of its directors, employees, professional advisors and representatives, as well as regulatory authorities, which have a strict need to know such 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 CEPS, PSE-O and/or VE-T 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 11.4

Dispute solution, venue and applicable law

These Auction Rules shall be governed by and construed in accordance with the laws of Austria without applying its conflict of law rules 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 out of the *Auction Rules* and its Annexes or related to its violation, termination or nullity, concerned parties shall endeavour to reach an amicable agreement, but if such agreement is not reached within thirty (30) days of first notification of the reason for the disputes then, all disputes arising in the connection with the *Auction Rules* shall be resolved to the exclusion of ordinary courts, by three-person Arbitral Tribunal appointed in accordance with the rules of arbitration of the United Nations Commission of International Trade Law (Uncitral Rules). Concerned parties shall accept the award of the above mentioned arbitrators as a final and binding, and such award may be entered in any court having jurisdiction or application may be made to such court for juridical acceptance of the award and an order for 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 otherwise provided in the arbitral award.

Prague is the place of jurisdiction in the relation between the *Auction Office* and *Auction Entities*.

Article 11.5

Auction Rules Validity, Effectiveness and Changes

The *Auction Rules* are valid and effective for the allocation of *Capacity* in each of both directions of each of the *Commercial Profiles* mentioned in Article 4.2 in the year 2005. The *Capacity* at the *Commercial Profile* PSE-O – SEPS in both directions is offered and allocated in accordance with the *Auction Rules* unilaterally for the PSE-O side of the *Interconnection*.

If any provision of these *Auction Rules* is declared - by 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. For contracts already concluded under these *Auction Rules*, the contracting parties of that contract will in such case use their reasonable efforts to immediately and in good faith negotiate legally valid

replacement provision(s) that have the same economic effect as the invalid, illegal or unenforceable provision(s).

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

Prospective changes in the *Auction Rules* concerning yearly *Auctions* have to be published on the web page of the *Auction Office* 30 days before the changes coming into force, at the latest. Furthermore all *Auction Participants* who already gained *Auction Promises or Allocated Capacity* have to be informed about prepared changes by letter. However the 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*, coming into force for the forthcoming monthly *Auction* at the earliest, have to be published by the *Auction Office* on the day set up for publishing of offered *Capacities* on the web page of the *Auction Office*, at the latest.

Prospective changes in the *Auction Rules* concerning daily *Auctions* have to be published on web page of the *Auction Office* 15 calendar days before the changes coming into force, at the latest.

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

Article 11.6 **List of Annexes**

Annex 1	Registration Form
Annex 2	List of contacts
Annex 3	Auction Procedures Schedule
Annex 4	Bank guarantee – detailed requirements
Annex 5	Deposit – detailed requirements
Annex 6	Promissory note – detailed requirements
Annex 7	Credit Limit
Annex 8	Bid Sheet – Yearly Auction
Annex 9	Bid Sheet – Monthly Auction
Annex 10	Capacity Transfer Form
Annex 11	Form for set up/modification of the <i>Auction ePortal User</i> account
Annex 12	List of certification authorities
Annex 13	Communication in extraordinary situations
Annex 14	“1:1” – System Notification
Annex 15	List of Czech public holidays

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 *Auction Entity*) declares legally binding and irrevocably their full and complete knowledge and acceptance of the valid *Auction Rules* which are published at the website of the *Auction Office* <http://www.e-trace.biz>.

The *Auction Entity* also declares legally binding and irrevocably that he accepts prospective changes in the *Auction Rules* as described in Article 11.5 of the *Auction Rules*.

Confirmation of the Registration Form creates a contract between *Auction Office* and *Auction Entity* for *Auctions* for 2005. The *Auction Rules* constitute the terms and conditions of the contract. With confirmation of the Registration Form *Auction Participant(s)* are registered by *Auction Office*.

This declaration is valid for an indefinite number of *Auctions* for 2005, notwithstanding the obligation for the *Auction Entity* to inform the *Auction Office* fort-with of any changes and notwithstanding the right of the *Auction Office* to request a renewal of the declaration.

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

Attachments:

1. Original or verified copy of the extract from the Commercial/Company register (in Czech, German, Polish or English language) not older then 3 months.
2. A list of authorised representatives who are entitled to submit *Bids*.

Date:

Signature

Attachment 2

A list of authorised representatives of the Auction Entity

Auction Entity appoints the following persons authorised to act on behalf of *Auction Entity* and to submit the *Bids* and/or Capacity Transfer Forms for registered *Auction Participants* to the *Auction Office* according to *Auction Rules*.

Yearly and Monthly Auctions

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

Daily Auctions

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

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:

<p>ČEPS, a.s. Auction Office Elektrárenská 774/2 101 52 Praha 10 Czech Republic</p>	<p>Available only on Working Days</p> <p>Mail Room – working time from 10:30 a.m. to 12:00 a.m.</p> <p>Reception – working time from 8:00 a.m. to 18:00 p.m.</p>
--	--

Auction Participants may submit *Bid Sheets* (see Annex 8 and 9), Capacity Transfer forms (see Annex 10) and “1:1”-System Notification forms (see Annex 14) to above mentioned address of the *Auction Office* or to following fax numbers:

+420 26710 4401
+420 26710 4422

Any confirmation issued by mail room or reception of the *Auction Office* confirms only the date and time of receipt of the document - not the correctness of the receipt document.

Yearly and Monthly Auctions

Name	Telephone No.	Mobile Phone No. *	E-mail	Fax No.
David Myška	+420 26710 4783	+420 724 035 459	myska@ceps.cz	+420 26710 4422
Daniela Balášová	+420 26710 4807	+420 724 352 274	balasova@ceps.cz	
Zdeněk Doležel	+420 26710 4737	+420 602 314 854	dolezel@ceps.cz	

Daily Auctions Auction ePortal Operators

Telephone No.	Mobile Phone No.	E-mail	Fax No.
+420 26710 4507	+420 724 601 301	helpdesk@e-trace.ceps.cz	+420 26710 4545

Auction ePortal

Name	Telephone No.	Mobile Phone No. *	E-mail	Fax No.
Martin Apko	+420 26710 4508	+420 724 073 357	apko@ceps.cz	+420 26710 4545
Jan Formánek	+420 26710 4779	+420 724 501 248	formanek@ceps.cz	

* Only for emergency cases.

Annex 3

Auctions Procedure Schedule

(Payments Schedule)

Yearly Auction

Publishing of available capacities	Closing date for submitting of Registration Forms and <i>Bids</i> 12:00 (CET)	Closing date for providing of risk management instruments 12:00 (CET)	Publishing of results till 18:00
Deadline 1Y	Deadline 2Y	Deadline 3Y	Deadline 4Y
18.11.2004	24.11.2004	29.11.2004	01.12.2004

	Issuing of invoice	Maturity date of invoice	Expiration of period for payment
	Deadline 5Y	Deadline 6Y	Deadline 7Y
January	02.12.2004	15.12.2004	22.12.2004
February	30.12.2004	13.01.2005	20.01.2005
March	01.02.2005	15.02.2005	22.02.2005
April	01.03.2005	15.03.2005	22.03.2005
May	01.04.2005	14.04.2005	21.04.2005
June	02.05.2005	17.05.2005	24.05.2005
July	01.06.2005	15.06.2005	22.06.2005
August	01.07.2005	14.07.2005	21.07.2005
September	01.08.2005	16.08.2005	23.08.2005
October	01.09.2005	15.09.2005	22.09.2005
November	04.10.2005	18.10.2005	25.10.2005
December	01.11.2005	15.11.2005	22.11.2005

Monthly Auction

	Publishing of available capacities	Closing date 12:00 (CET)	Publishing of results till 18:00	Issuing of invoice	Maturity date of invoice	Expiration of period for payment
	Deadline 1M	Deadline 2M	Deadline 3M	Deadline 4M	Deadline 5M	Deadline 6M
January	07.12.2004	14.12.2004	16.12.2004	17.12.2004	28.12.2004	03.01.2005
February	04.01.2005	11.01.2005	13.01.2005	14.01.2005	25.01.2005	31.01.2005
March	01.02.2005	08.02.2005	10.02.2005	11.02.2005	22.02.2005	28.02.2005
April	01.03.2005	08.03.2005	10.03.2005	11.03.2005	22.03.2005	29.03.2005
May	05.04.2005	12.04.2005	14.04.2005	15.04.2005	26.04.2005	01.05.2005
June	04.05.2005	10.05.2005	12.05.2005	13.05.2005	24.05.2005	30.05.2005
July	07.06.2005	14.06.2005	16.06.2005	17.06.2005	28.06.2005	03.07.2005
August	04.07.2005	12.07.2005	14.07.2005	15.07.2005	26.07.2005	01.08.2005
September	02.08.2005	09.08.2005	11.08.2005	12.08.2005	21.08.2005	27.08.2005
October	06.09.2005	13.09.2005	15.09.2005	16.09.2005	27.09.2005	03.10.2005
November	04.10.2005	11.10.2005	13.10.2005	14.10.2005	25.10.2005	31.10.2005
December	02.11.2005	08.11.2005	10.11.2005	11.11.2005	22.11.2005	28.11.2005

Daily Auction

	Issuing of invoice	Maturity date of invoice	Expiration of period for payment
	Deadline 1D	Deadline 2D	Deadline 3D
January	04.02.2005	15.02.2005	22.02.2005
February	04.03.2005	15.03.2005	22.03.2005
March	04.04.2005	14.04.2005	21.04.2005
April	04.05.2005	17.05.2005	24.05.2005
May	03.06.2005	15.06.2005	22.06.2005
June	02.07.2005	14.07.2005	21.07.2005
July	04.08.2005	16.08.2005	23.08.2005
August	02.09.2005	15.09.2005	22.09.2005
September	04.10.2005	18.10.2005	25.10.2005
October	04.11.2005	15.11.2005	22.11.2005
November	05.12.2005	15.12.2005	22.12.2005
December	04.01.2006	16.01.2006	23.01.2006

Annex 4

Bank Guarantee – Requirements

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

Quality of the guarantee bank

The Bank issuing the guarantee in favor of CEPS (i.e. the guarantee bank), must conform to at least one of the following requirements regarding rating:

- a) Moody's - minimally „Baa3 “,
- b) Fitch/IBCA – minimally „BBB- “,
- c) Standard & Poor's – minimally „BBB- “.

Requirements regarding the form of the guarantee

- The guarantee must be written in English.(further letter of guarantee)
- The bank guarantee is accepted in the form of direct or indirect guarantee. In case of:
 - direct guarantee, the issuing bank has to comply with the required rating,
 - indirect guarantee, the guarantee bank is the bank which issues the second guarantee in sequence (i.e. counter – guarantee), therefore only this bank has to comply with the required rating.

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), on which shall be paid, i.e.: the current account no. 202 910 033/2600 EUR. Send the incoming payments to ABO in the form 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., Elektrárnská 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 has to 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 days, this

is for the event of a possibility of a bank guarantee exercise.

The guarantee validity time must be at least:

- for yearly Auction – from the deadline 3Y to the deadline 6Y for December + 12 calendar days, i.e. from 29th of November 2004 to 27th of November 2005,
 - for monthly Auction – 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 2005 it is from 14th of December 2004 to 9th of January 2005,
 - for daily Auction – 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 2005 to 27th of March 2005.
- Effectiveness of the guarantee, which is given by the date of issue,
 - Conditions for a bank guarantee exercise, in particular:
 - Disbursement on initial request (instantly) without any objections,
 - Irrevocability,
 - Unconditionality,
 - Non-transferability,
 - 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 fulfillment is allowed, up to the maximum amount of the sum.

Unauthorised provisions

In the letter of guarantee 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,
- other than the stated conditions for exercise of the bank guarantee.

Annex 5

Deposit – Requirements

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

Account specification:

Citibank, a.s.
Evropska 178
Praha 6
ČR

Account No.	202910041/2600
BIC	CITICZPX
ABO	2029100418/2600
IBAN	CZ4226000000002029100418

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

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

If the *Auction Entity* fails to pay for the reservation of *Capacities* in accordance with Section 7, *Auction Office* shall use these resources to cover the overdue payment.

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

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

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

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

The content of the trilateral agreement

- *Auction Entity* shall pay the deposit on the current account within the time frame stated in the trilateral agreement signing,
- The Bank shall inform ČEPS, a.s. about payment of the deposit on the *Auction Entity's* current account,
- Deposit may be increased by unilateral instruction of the *Auction Entity*. The Bank and *Auction Office* shall be notified in advance of increasing the deposit,

- Deposit can be decreased only by common instruction of the *Auction Entity* and ČEPS, a.s. in the form stated in annex of the trilateral agreement,
- If the *Auction Entity* fails to pay for the reservation of *Capacities* in accordance with Section 7, the Bank will carry out transfer of relevant amount of the deposit on the basis of unilateral instruction of ČEPS, a.s. in the form stated in annex of the trilateral agreement and on account stated in such instruction.

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

Following forms shall be filled in:

- 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 the Power of Attorney in the form of a notarial deed including Apostille if applicable.¹

Additional documents to be supplied:

- Copy of Extract from Trade Register (not more than 3 months old) verified by a public notary
- If applicable, Power of Attorney in form of a notarial deed including Apostille (if applicable)* or Copy of Certificate of Incorporation verified by a public notary or equivalent document that stipulates who can act on behalf of the company
- Copy of Articles of Association or equivalent document verified by a public notary
- A specific signature specimen verified by a public notary of each person stated on the Signature Card (authorized signatories as well as persons acting on behalf of the company). Such signature specimen must contain the following information: name and surname, date of birth or birth number, permanent address and 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 or 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 such document must show photo, name and surname, date of birth or birth number, sex, permanent address, ID number, ID expiry date and authority issuing the ID, provided these data are available on such document.
- Information on *Auction Entity* in the form of e.g. annual report and a link to its company's web site.

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

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.

Contact persons

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

Olga Kuiperová Tel: +420 233 061355 e-mail: olga.kuiperova@citigroup.com

Monika Aminiová Tel: +420 233 061 375 e-mail: monika.aminiova@citigroup.com

Annex 6

Promissory note – Requirements

Permitted types of a promissory note

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

Recommendation

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 to the rest of the document. The words „promissory note“ must not be used just as a heading or just outside the continuous text.
Unconditionality	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 by the amount of a bill (possibly „Only in...“ or „Just in ...“) and there must be the information „ EFFECTIVELY “
	There must not be diverse data 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 are not suffice). In the case of a legal entity, its name must be stated (pursuant to the Companies Register, including its legal form) and signatures of authorised persons.</p>
	<p>The promissory note must contain 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. Such list shall be officially handed over by the counterparty to ČEPS and the counterparty undertakes the responsibility in 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. Notarial deed shall be made out regarding the authenticity of signatures on the promissory note. In the case that 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 whole name, i.e. Citibank a.s., Evropská 423/178, Praha 6, Czech Republic. The current account no. 202 910 033/2600 EUR. Send the incoming payments to ABO in the form 202 910 0303/2600 EUR.</p>
Maturity	<p>The promissory note contains information about maturity, namely “mature at sight”.</p>
	<p>There must not occur diverse data regarding the maturity on the promissory note.</p>
	<p>Payment must not be conditioned anyhow (e.g. by words „if it is ...“).</p>
Places and dates	<p>The date and the 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 2004. 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 validity time (period) stated in the text of promissory note, following rules are applied:

The validity time is determined by the drawer appropriately, with consent that for the purposes of guarantee calculation (credit limit), the beneficiary (CEPS) shall 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 yearly *Auction* – from the deadline 3Y to the deadline 6Y for December + 12 calendar days, i.e. from 29th of November 2004 to 27th of November 2005,
- for monthly *Auction* – 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 2005 it is from 14th of December 2004 to 9th of January 2005,
- for daily *Auction* – 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 2005 to 27th of March 2005.

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 for this single promissory note at sight

not to order to 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
		Name and address of the bank

Annex 7

Credit Limit

Usage of Credit Limit is described in example below

Bank guarantee: 1100 EUR. Validity period: from 29th of November 2004 to 27th of November 2005.

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

Bids of Auction Participant A1 and A2 for 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
A2	PSE-O	VE-T	20	100	50
A1	CEPS	VE-T	50	90	45,20
A2	CEPS	VE-T	30	0	45,20

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 evaluation of the bids.

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

$$(50*50 + 20*50 + 50*45,20)/12 = 480 \text{ EUR}$$

The Unutilised Credit Limit has to be equal to 480 EUR at least – fulfilled.

After the *Auction* the part of the *Credit Limit* equal to 480 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
A2	PSE-O	CEPS	40	10	3
A1	PSE-O	CEPS	20	4	3

Unutilised Credit Limit is equal to 620 EUR.

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

Outstanding liability (Total Auction Entity's Bid Value) given by the result of the Auction is equal to $(20+40+20)*3 = 240$ EUR

The Unutilised Credit Limit has to be equal to 240 EUR at least – fulfilled.

After *Auction* the part of *Credit Limit* equal to 240 EUR is *utilised*.

Unutilised part = 380 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 2005 will be credited to account of TSOs e.g. on 28th December 2004, so in the time period from January *Auction* results publication date to 28th December part of *Credit Limit*, which can be used for ensuring of daily auctions payments is 380 EUR. From 29th December it is 620 EUR.

This 620 EUR can not be used for ensuring of daily auctions payments in November 2005 because necessary validity period of bank guarantee for ensuring of daily auctions for capacities of November 2005, is 27th of December 2005.

Annex 8
Bid Sheet
For yearly auction - year 2005

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, PSE-O, SEPS*, VE-T

* The *Capacity* at the *Commercial Profile* PSE-O – SEPS in both directions is offered and allocated in accordance with the *Auction Rules* unilaterally for the PSE-O side of the *Interconnection*.

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

Date:

Signature

Annex 9
Bid Sheet
For monthly auction – name of month 2005

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, PSE-O, SEPS*, VE-T

* The *Capacity* at the *Commercial Profile* PSE-O – SEPS in both directions is offered and allocated in accordance with the *Auction Rules* unilaterally for the PSE-O side of the *Interconnection*.

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

Date:

Signature

Annex 10

Capacity Transfer Form

	<i>Auction Participant transferring the Capacity</i>	<i>Auction Participant gaining the Capacity</i>
Name of the Auction Entity		
EIC-Code of the Auction Participant		
Name of the person authorized to submit the Capacity Transfer Form		
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, SEPS*, VE-T

* The *Capacity* at the *Commercial Profile* PSE-O – SEPS in both directions is offered and allocated in accordance with the *Auction Rules* unilaterally for the PSE-O side of the *Interconnection*.

	<i>Auction Participant transferring the Capacity</i>	<i>Auction Participant gaining the Capacity</i>
Date		
Signature and stamp		

Annex 11

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

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>	

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

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

Date:

Signature

Annex 12

Requirements on electronic signatures and certificates

1. Requirements on certificates used for the access to the Auction ePortal

Certificates used for the access to the *Auction ePortal* must have the following setting (The Key Usage extension, see RFC 2459):

- a. NonRepudiation = 1
- b. Digital Signature = 1
- c. Key Encipherment = 1
- d. Data Encipherment = 1

2. Requirements on electronic signatures and certificates for the execution of business transactions via the Auction ePortal

2.1 Certificates used for the execution of business transactions via the *Auction ePortal* must have the following setting:

- a. NonRepudiation = 1
- b. Other bits may have the value of 1 or 0

2.2 For the purposes of the execution of business transactions via the *Auction ePortal*, it is possible to use only:

(i) advanced electronic signatures based on qualified certificates and created by secure-signature-creation devices within the meaning of Directive 1999/93/EC (on electronic signatures), or

(ii) electronic signatures other than specified in 2.2 (i) above, provided the following conditions are met:

- (a) by any *User* using such electronic signatures under 2.2 (ii) above, the *Auction Entity* which registered such *User* confirms and undertakes that the certification service provider which issues certificates on which such electronic signatures are based fulfils the following criteria:
 - i. published certification policy (CP) prepared in accordance with RFC 2527; certificates must contain reference to the current version of the CP;
 - ii. Face to Face registration procedures meaning that during the process of identity verification for the purposes of the issuance of certificates, the applicants must meet personally with the certification service provider or a trustworthy third party (e.g. employee of a trustcenter, notary public or another similar official) and must present some generally recognized state-issued identification document (e.g. identity card, passport, driver's license, etc.);
 - iii. Regular external audit directed at a minimum at compliance of own processes with published CP;
 - iv. Regular Fast Revocation Process: CA issues CRLs with a validity

period below 24 hours;

- v. Cryptography algorithms and parameters used are in compliance with Algorithms and Parameters for Secure Electronic Signatures (ESI Special Report SR 002 176, March 2003); AND

(b) by any *User* using such electronic signatures under 2.2 (ii) above, the *Auction Entity* which registered such *User* irrevocably undertakes to indemnify and keep fully and effectively indemnified, the *Auction Office*, any other *Auction Entity*, 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 howsoever arising which it or any of them shall at any time incur and which arises in connection with any of the *Users*' use of electronic signatures under 2.2 (ii) above for the purposes of or in connection with executing business transactions via the *Auction ePortal*, save to the extent demonstrably caused by the material breach of the *Auction Rules* by the Indemnified Person or Indemnified Persons. Notwithstanding anything to the contrary in the *Auction Rules*, this indemnity is governed by the law of England and Wales.

2.3 It is possible to use one electronic signature for both access to the *Auction ePortal* and the execution of business transactions via the *Auction ePortal*.

2.4 All the electronic signatures used to communicate with the *Auction ePortal* must successfully pass tests operated by the *Auction Office*. List of certification service providers whose certificates have successfully passed such tests are published at the official web page 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* about possible deviations from routine operation. The *Auction Office* is authorized to issue instructions to application as well as to take measures in the case of an outage of the system *Auction ePortal*.

The *Users* are obliged to immediately inform the *Auction ePortal* Helpdesk about 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 system *Auction ePortal* by means of a substitute method. It will do that on the basis of a request for such an operation if the *User* cannot do that 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 representative of *Auction Entity* authorised by Registration Form for submitting of *Bid for Auction Participant*, fax number.

Data handed over by a substitute method must be delivered in the format valid for a specific case.

The *Auction Office* shall have the right to identify the *User* at the moment when *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 substituted data entry. The *User* is also obliged to provide the *Auction Office* with a telephone number, which he/she can use in case of 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 of non-operation of the *Auction ePortal* 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 after terminating a telephone call with the *Auction Office* or receiving a confirmation e-mail. The *User* is also liable for a 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 rejection of that data by the *Auction ePortal* due to its incorrectness.

Those rules are applicable only for registered *User* of the *Auction ePortal* (see Article 6.2).

Annex 14

"1:1" – System notification

	TSO A - name	TSO B - name
Name of the company and Auction Entity 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 Auction Entity respectively registered by TSO A	Name of the company and Auction Entity respectively registered by TSO B
Date		
Signature		

Annex 15

List of Czech Public Holidays

1st January 2005	(Saturday)
28th March 2005	(Monday)
1st May 2005	(Sunday)
8th May 2005	(Sunday)
5th July 2005	(Tuesday)
6th July 2005	(Wednesday)
28th September 2005	(Wednesday)
28th October 2005	(Friday)
17th November 2005	(Thursday)
24th December 2005	(Saturday)
25th December 2005	(Sunday)
26th December 2005	(Monday)