

Yearly and Monthly Auction Rules
on
Croatia - Hungary Interconnection Capacity
For 2010

between the control areas

of

HEP-Operator prijenosnog sustava d.o.o.
("hereinafter referred to as HEP OPS")

and

MAVIR ZRt.
("hereinafter referred to as MAVIR")

October 2009.

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PREAMBLE

The demand for capacity at the Interconnection between HEP OPS and MAVIR is usually much higher than the ATC. In order to obtain maximum transparency in the allocation of the ATC and to avoid discrimination in allocating the ATC, auctions shall be held. The Yearly and Monthly Auction Rules are construed in accordance with the regulations set out by European law, in particular by the EU-Regulation, in accordance with Croatian, Hungarian and European law and in accordance with regulations issued by the Croatian and the Hungarian Regulatory Authorities. In order to correspond with these legal requirements the auction covers the reservation of the yearly and monthly ATC. The auctioning of the reservation of the yearly and monthly ATC aims at providing a transparent method of congestion management.

1. Definitions / Terms

In these Yearly and Monthly Auction Rules (hereinafter referred to as: "Auction Rules") (including any Annexes and Forms) the terms defined in this article (where appropriate in plural) shall, for all purposes of these Auction Rules have the meanings specified in this article (unless the context requires otherwise).

All or nothing Bids: Bids by the Auction Participant to buy only the exact amount of Capacity in MW indicated in his bid – if this is not possible, the Auction Participant does not want to buy anything. If the bid is not a denominated "All or Nothing" the Auction Participant also accepts an amount of capacity smaller than the requested one

Allocated Capacity: This is the Reserved Capacity after fulfilling the payment conditions according these Yearly and Monthly Auction Rules as stated in article 8.

Auction system: IT system used by Auction Office to receive bids from Auction Participant, process them and return the results of the Auction.

Auction Website: Internet address, website of the Auction Office (HEP OPS) (<http://www.hep.hr/ops>) with the content as listed in Point 4. of these Auction Rules

Auction Office: The entity executing yearly and monthly auction procedures.

Auction Participant: A person and/or an entity which participates in, intends to participate or has participated in an Auction according to procedures set out in these Auction Rules

Auction Price: The price in HRK/MW to be paid by Auction Participants receiving Reserved Capacity in case the total amount of the requested reservation of network capacity exceeds the ATC.

Yearly and Monthly Auction Rules (“Auction Rules”): the regulations set out in this document applicable to the allocation of the reservation of capacities at the transmission interconnections between the control areas of HEP OPS and MAVIR.

Available Transmission Capacity (“ATC”): the part of the NTC which is offered by Auction Office (on behalf of MAVIR and HEP OPS) on respective Interconnection and direction for further commercial activity and which shall be offered in the yearly, monthly and daily auction procedures.

Bid: is an offer by an Auction Participant to purchase rights to use capacity submitted in an auction pursuant to and in compliance with these Auction Rules; such an offer consists of two values per product (capacity per direction): a Capacity in MW and a Bid Price in HRK per MW.

Bid Price: the highest price which an Auction Participant is willing to pay for 1 MW of Capacity. He must be prepared to pay this Bid Price.

Capacity: cross-border transmission capacity in MW.

Curtailement: is the reduction of Capacity in emergency situations where HEP OPS and MAVIR must act in an expeditious manner.

Curtailement of Allocated Capacities (“Capacity Curtailement”): means the reduction of Allocated Capacities by Auction Office (based on the request of MAVIR and/or HEP OPS) in respect of the Auction Participants, Curtailement of Allocated Capacities shall only be used in case of unforeseen situations (eg. unplanned maintenance). Any such procedure shall be applied in a non-discriminatory manner.

Daily ATC: is a part of the ATC which is offered to the Auction Participants in daily auctions. The auctions for daily ATC will be held by MAVIR (see specific auction rules for daily auctions).

EIC-Code: Energy identification code serving to clear the identification of Auction Participants in a cross-border trade (see <http://www.entsoe.eu/resources/edi/library/eic/cds/area.htm>).

ENTSO-E (“European Network of Transmission System Operators for Electricity”): an International Association with membership of European Transmission System Operators with the aim to contribute to reliable and efficient pan-European and regional markets, ahead of the European Union Third Legislative Package of the Internal Electricity Market.

EU-Regulation: The Regulation (EC) No 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 and Directive 2003/54/EC of the European Parliament and of Council of 26 June 2003 concerning common rules for the internal market in electricity, valid on the day of issuing of these Auction Rules.

Force majeure: operational conditions and/or events and/or circumstances which are beyond the reasonable control of HEP OPS and/or MAVIR, and which cannot be prevented or overcome with reasonable foresight and diligence, such as, but not limited to, international superimposed Loop Flows, if HEP OPS and/or MAVIR 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 HEP OPS and/or MAVIR.

HEP - Operator prijenosnog sustava d.o.o. (“HEP OPS”) with registered office in Kupaska 4, 10 0000 Zagreb, Croatia and with the number of the commercial register No: 080517105. The Croatian Transmission System Operator is responsible for the handling of the yearly and monthly auction procedures which are operated on behalf of HEP OPS and MAVIR.

Interconnection: a single and/or double circuit lines between the Croatian and Hungarian transmission system which connects the control areas of HEP OPS and MAVIR synchronously. In the year 2010 there is one line, the operated at the voltage 400 kV (double circuit) between the substation Hévíz and the substation Žerjavinec.

Loop Flow: the difference between the exchange programs and the physical flows at the transmission interconnections.

MAVIR ZRt. (“MAVIR”): with registered office in H-1031 Budapest, Anikó u. 4 and incorporated in the Commercial Register kept by Budapest Court of Justice with the Company Identification No. 01-10-044470. The Hungarian Transmission System Operator is responsible for the handling of the daily auction procedures which are operated on behalf of HEP OPS and MAVIR .

Monthly ATC: is a part of the ATC which is offered to the Auction Participants in monthly auctions.

Net Transfer Capacity (“NTC”): the maximum exchange program between two control areas compatible with security standards applicable in both areas and taking into account the technical uncertainties on future network conditions.

Reserved Capacity: the capacity that the Auction Participant gains by notification of the Auction results.

Reservation Period: the period for which the Yearly ATC, the Monthly ATCs or the Daily ATCs are offered.

Transfer of capacity rights: is the changing of the ownership of Allocated Capacity rights obtained in the course of yearly and monthly auctions between participants through the use of internet based auction system operated by HEP OPS (only registration and EIC-Code is required).

Working Day: every day except for Saturdays, Sundays and any official holiday in Croatia and Hungary as listed in Annex III attached to these Auction Rules.

Yearly ATC: is a part of the ATC which is offered to the Auction Participants in yearly auctions.

The headings in these Auction Rules are intended solely as a matter of convenience and for reference and shall be given no effect in the construction or interpretation of these Auction Rules.

2. SCOPE OF THE AUCTION RULES

This document contains the terms and conditions for the auctioning of the reservation of Yearly and Monthly ATC at the Interconnection between the control areas of MAVIR and HEP OPS that is jointly offered by MAVIR and HEP OPS.

Auctions for yearly, monthly and daily ATC for the year 2010 will be held in order to ensure that reservations of ATC will be valid for each side of the Interconnection. Auctions for yearly and monthly ATC will be held by HEP OPS; auctions for daily ATC will be held by MAVIR.

These Auction Rules in particular are handling the reservations of yearly and monthly ATCs in the direction from Croatia to Hungary and in the direction from Hungary to Croatia.

The valid version of the Auction Rules will be published on the website of the MAVIR (www.mavir.hu) and HEP OPS (www.hep.hr/ops). MAVIR and HEP OPS reserve the right to amend and/or change the Auction Rules.

The yearly and monthly auctions will be held by HEP OPS, Auction Office in Croatia.

MAVIR and HEP OPS will fully accept the results of the individual auction procedures held by the Auction Office .

3. THE AUCTION OFFICE

The Auction Office is responsible for the allocation of yearly and monthly ATC to Auction Participants through auction proceedings pursuant to these Auction Rules. The Auction Office prepares and conducts yearly and monthly auctions and shall serve as point of contact and source of information for all Auction Participants.

Auction proceedings may be discontinued or interrupted by the Auction Office at any time without prior notice - be it temporarily in case of technical failures, or permanently based on instructions from MAVIR and HEP OPS (e.g. change of capacity allocation method). Such temporary or permanent discontinuance will not affect the rights and obligations which have arisen as a consequence of yearly and monthly auctions having taken place under these Auction Rules prior to such discontinuance or interruption.

If the normal course of the yearly and monthly auction cannot be ensured through the Auction System, the Auction Office shall publish on its internet page a date and time of the new auction.

We must point out that we cannot accept responsibility for the security of transfers of Bids. We will however try to keep them as secure as possible.

Receipt of Bids at the Auction Office is the decisive criterion in meeting the time limit.

4. THE AUCTION OFFICE (HEP OPS) WEBSITE

The Yearly and Monthly ATC(s) will be published on the website of the Auction Office (HEP OPS) (<http://www.hep.hr/ops>) according to the dates set out in Annex IV. In particular, the following information will be published on the Auction Office (HEP OPS) website:

- a) These Auction Rules (valid release)
- b) Additional information on the auction proceedings
- c) Facsimile and telephone number(s), e-mail address(es) of the Auction Office
- d) Forms to be used by Auction Participants
- e) Yearly and monthly ATC
- f) Summary of the results of the yearly and monthly auctions
- g) Frequently asked questions and answers
- h) Other relevant information

5. GENERAL PROVISIONS

5.1. Violation against the Auction Rules

Prior to, during and after an Auction, Auction Participant shall refrain from any action or behavior which adversely affects or threatens competition in the Auction proceedings, which aims at gaming, or which in any other way disrupts or threatens to disrupt the Auction proceedings, transparency, cost-effectiveness or fairness thereof.

In case of violation of these Auction Rules the Auction Participant may be excluded from further auctions as set forth in article 5.4.

5.2. **Separation of Auction and Fees for Grid Use**

A successful Bid which leads to Reserved Capacity creates a contract between MAVIR/HEP OPS and the Auction Participant under which MAVIR /HEP OPS is to provide the Auction Participant with an option to use capacity on the Interconnectors ("**Reserved Capacity**") and the Auction Participant is obliged to pay the respective Auction Price, independent of the actual use and other transmission fees such as, but not limited to, transmission fees resulting from cross-border tariffication. By fulfilling the payment conditions in accordance with the Auction Rules Reserved Capacity is guaranteed by MAVIR /HEP OPS ("**Allocated Capacity**").

Auction Participant who wants to use capacity has to fulfill requirements given in point 9 of this Auction Rules.

The payment determined covers only the right for the Allocated Capacity at the bottleneck. This option does not include any use of the transmission system to and from the Interconnectors. Said use of the transmission system, including corresponding fees, if any, must be agreed separately with HEP OPS on the Croatian side of the border and with MAVIR on the Hungarian side.

5.3. **Curtailment**

In case of Curtailment MAVIR and HEP OPS will reduce Allocated Capacity according to Article 11 and will pay a compensation to the Auction Participant with exception of Force Majeure.

5.4. **Acceptation of Auction Rules**

Furthermore, with the submission of the correct filled out and signed Application for participation in auctions (see Annex I) the Auction Participant accepts the auction regulations set out in these Auction Rules and submits to the Auction Rules without any reservation. If the Auction Participant does not conform to these Auction Rules, the Auction Participant shall be expressly barred from the participation in further auctions and the Bids shall not be accepted by the Auction Office.

5.5. Avoiding of Dominant Market Positions

The Auction Participant accepts that neither him nor a related undertaking of him can not purchase more than 50% of the published yearly and monthly ATC by auction in case of congestion. Related undertaking means affiliated undertakings, within the meaning of Article 41 of the Seventh Council Directive 83/349/EEC of 13 June 1983 based on Article 44(2)(g)(9) of the Treaty on consolidated accounts(10), and/or associated undertakings, within the meaning of Article 33(1) thereof, and/or undertakings which belong to the same shareholders;

To avoid problems related to the potential use of dominant position of any market player, the relevant Regulatory and/or Competition Authorities, may impose additional restrictions in general or on an individual company on account of market dominance. The Auction Office reserves the right to introduce such restrictions in the course of the year. Any such restriction has to be set forth in advance in Announcement of Available Transmission Capacities.

5.6. Payment

If the Auction Participant does not fulfill or only partially fulfils any obligation resulting from the contract in due time, especially if the Auction Participant does not pay the full Auction Price within the time limits set out in the Auction Rules, MAVIR and HEP OPS are entitled to enforce the completion of the contract and hold the Auction Participant liable for the Auction Price, interests, charges and expenses including attorney's fees, arising from the enforcing of the completion of the contract. The Auction Participant shall not be entitled to offset and/or withhold any debts arising in connection with obligations resulting from an auction to any claim of MAVIR and/or HEP OPS whether or not arising out of an auction. The detailed payment conditions are described in article 8.

6. PARTICIPATION REQUIREMENTS

In order to participate in Auctions the applicant has to fulfill the Application for participation specified in Annex I.

The name of the bidding company, bank account, invoice address, EIC code, tax number signature of representative of the bidding company, and bank guarantee or pay deposit.

With the delivery of the bids the Auction Participant declares legally binding and irrevocably that:

- he is business company operating and incorporated under law and is not subject to bankruptcy or liquidation proceedings
- he has full and complete knowledge of the actually applicable Auction Rules, which are published at the website of the Auction Office (www.hep.hr/ops)
- he accepts and submits without any reservation/restriction to these actually applicable Auction Rules
- there are no court or other proceedings in progress against him that would threaten the fulfilments of the conditions set out in these Auction Rules
- the representative(s) who sign(s) the bid have all authorisations by law or from other organisations, based on which they are able to assume the obligations arising out of participation
- he has not any debts outstanding to the concerned TSOs (MAVIR and/or HEP OPS)

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

7. YEARLY AND MONTHLY AUCTION PROCEDURES

Separate yearly and monthly auctions shall be held for the reservation of capacity in each of both directions:

Auction HR-HU: deals with the direction from Croatia to Hungary;

Auction HU-HR: deals with the direction from Hungary to Croatia.

Auctions take place on the dates mentioned in Annex IV.

7.1. **Deadlines for Auctions**

For the auctions the following deadlines are valid and the respective dates are set out in Annex IV:

Deadline Y1: deadline for Publishing of yearly ATC at 18:00 (CET) on the date set out in Annex IV;

Deadline Y2: deadline for bid submission for allocation of Yearly ATC at 12:00 (CET) on the date set out in Annex IV;

Deadline M1: deadline for Publishing of Monthly ATC at 18:00 (CET) on the date set out in Annex IV;

Deadline M2: deadline for bid submission for allocation of Monthly ATC at 12:00 (CET) on the date set out in Annex IV;

7.2. **Determination and Publication of Yearly and Monthly ATC**

The yearly and monthly NTC is determined by MAVIR and HEP OPS in accordance with the applicable technical rules, particularly in accordance with the applicable rules published by the ENTSO-E, applicable laws and regulations.

The relevant Yearly and Monthly ATC (part of monthly NTC) will be published on the website of the Auction Office (according to the dates set out in Annex IV).

7.3. **Bidding for Yearly and Monthly ATC**

The Bids for allocation of Yearly and Monthly ATC in the respective direction shall be submitted through Auction System.

Each legitimated Auction Participant shall deliver his bids for yearly auction from deadline Y1 till deadline Y2 (see Annex IV) and for monthly auction from deadline M1 till deadline M2

(see Annex IV). The bids delivered to the Auction Office shall be binding until the end of the yearly/monthly auction and cannot be withdrawn or modified after deadline Y2/M2.

The Auction Participant must be prepared to pay Auction Price for his Reserved Capacity in addition to other transmission fees such as, but not limited to, transmission fees resulting from the cross-border-tariffication.

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

1. The value of the Bid in HRK/MW (max. two decimals) – the bid price has to be bigger than zero.
2. The amount of the capacity to be reserved in MW without decimals. The minimum amount of a single bid is 1 MW .
3. Information about "All or nothing" type of bid, if requested by Auction Participant.

Bids must state the highest Auction Price the Auction Participant is willing to pay.

For each auction number, several bids may be submitted. Such bids submitted are valid independent of each other.

Bids which do not fulfil the above requirements will not be considered in the allocation procedure. The Auction Participant shall be responsible for the evidence of the timelines of the delivery of the bids to the Auction Office.

7.4. Allocation of Yearly and Monthly ATC

The Auction Office reviews and collects all Bids submitted between the deadline for Publishing of ATC (deadline Y1/M1) and the deadline for bidding (deadline Y2/M2). After deadline Y2/M2 all valid Bids are listed in order of decreasing price offers.

For a detailed description regarding the valid deadlines for yearly and monthly auctions see article 7.1.

The details of the allocation process of Yearly and Monthly ATC to Auction Participants are described in Annex II Auction procedure.

7.5. Notification on the Results of Auctions

Each Auction Participant is informed of the outcome of his Bid(s) shortly, but not later than one (1) hour after the conclusion of the Yearly or Monthly auction through Auction System. Information consists of:

1. Specification of the relevant yearly/monthly auction,
2. Period of reservation,
3. Amount of reserved transmission capacity for the auction participant in MW,
4. Value of payment for the purchased reservation of capacity in HRK/MW for the period of reservation,
5. Capacity Agreement Identification for ESS scheduling (ETSO Scheduling System).

The overall, anonymous results of the Auctions are announced on the Auction website.

8. SETTLEMENT/PAYMENT

The payment and accounting of the Auction Price will be handled by HEP OPS:

- a) For yearly auction - HEP OPS charges the liabilities arising from reserved transfer capacities at yearly auction in advance on a monthly basis by dividing the total liabilities according to months with respect to the number of days in an individual month. The first invoice is issued for the period of the two months (January and February), and subsequent invoices are issued once monthly, by the second working day in the current month for the following month.
- b) For monthly auctions - HEP OPS charges the liabilities arising from reserved transfer capacities at monthly auctions in advance on a monthly basis for the entire allocation period by the 20th day of the current month for the following month.

For Auction Participants that are not registered in Croatia the price, on the invoice, will be calculated in EUR/MW based on medium exchange rate HRK/EUR issued by Croatian National Bank (HNB) on the day of auction conduction.

The copy of the invoice will be sent by fax or e-mail, and original invoice by mail. The Auction Participant shall be binding to inform HEP OPS if he did not receive the invoice for the payment within the given deadline.

The Auction Participant shall credit the invoiced payment to HEP OPS onto its account stated on the invoice. Subject of the invoice is "Allocation of transmission capacity". According to the Croatian tax law value added tax will be charged to the payment and will be shown separately on the invoice. Entity obliged to pay VAT is the payer of the invoice, one to whom the service is provided. VAT and other taxes or levies – if any – shall be invoiced in accordance with the applicable law.

All bank fees have to be paid by the Auction Participant. 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 (receipt of payment at the account of HEP OPS).

Invoices have to be paid no later than eight (8) days upon issuing.

If the Auction Participant shall not settle his obligations within the deadline the default interests regulated by law shall be charged.

If such a time limit expires on a public holidays, payment should be received on the preceding working day. Should the time limit expire on a Sunday or a public holidays following a Sunday, payment should be received on the following working day.

In case the payment is not settled on the day indicated on the invoice HEP OPS and MAVIR is entitled to withdraw from the obligations resulting from the Auction Rules and the Auction Participant loses his Reserved Capacity obtained in auction and shall be liable pursuant to the General Provisions of the Auction Rules.

Moreover, the Auction Participant shall be excluded from all the following monthly auctions in the year 2010 until all payments of the Auction Participant are settled.

9. USE OF ALLOCATED CAPACITY

General grid access for the use of Allocated Capacity is not covered by the scope of the Auction Rules unless otherwise stipulated in the following provisions.

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

Upon reservation of capacity in the course of an auction, MAVIR and HEP OPS will commit themselves to ensure that the Allocated Capacity is operationally feasible for the Auction Participant or the new holder of capacity solely at the Interconnection with the exception of Force majeure and/or unplanned network conditions.

The use of Allocated Capacities operates via the delivery of fixed and binding schedules to MAVIR and HEP OPS in compliance with the legal requirements of grid access in each control area, possible electricity import bans and applicable market rules of HEP OPS and MAVIR. The Allocated Capacities are used on the basis of the schedules disposal respecting the principle 1:X.

To **use** of Allocated Capacity from **yearly and/or monthly auctions** operates via the delivery of fixed schedules to MAVIR and HEP OPS for the following day and before weekends and before the days listed in Annex III for the following days until and including the next Working Day must be received by:

HEP OPS before 08:00 AM (CET)

MAVIR before 08:00 AM (CET).

The submitted xml-file with schedule data of cross-border electricity exchange shall contain the data which unambiguously determine the allocated transmission capacity (Capacity Agreement ID and Capacity Contract Type).

Modifications of schedules after this time are not possible. Use is generally based on the principle "use it or lose it". This means that reservations which are not used by fixed

schedules by the above time will be made available to all market participants in the daily allocation procedures (see specific auction rules for the daily auctions).

In the case, if the Auction Participants deliver the incompatible schedules of transmission, the schedules will be reduced or refused. In so far as the schedules do not tally in transmission value terms (MW) only, but the transmission direction tallies, less-valued transmission shall be accepted. Unless the schedules tally in the transmission direction, such unmatched schedules shall not be accepted - none electricity transmission shall be effected.

In order to use the Allocated Capacity a valid Contract governing the access to the Transmission System of Hungary in 2010 must be concluded with MAVIR before the use of Allocated Capacity for transmission on MAVIR side pursuant to effective version of Trade Code and legal regulations on electric energy in Hungary.

In order to use the Allocated Capacity a valid Contract governing the access to the Transmission System of Croatia in 2010 must be concluded with HEP OPS before the use of Allocated Capacity for transmission on HEP OPS side pursuant to effective version of Electricity Market Rules and legal regulations on electric energy in Croatia.

10. USE OF THE ALLOCATED CAPACITY FOR DELIVERIES OF BALANCING ENERGY

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

Allocated Capacity confirmed to be reserved for deliveries of balancing energy is not subject of principle "use it or lose it" (see Article 9 „Use of Allocated Capacity“).

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

- Auction Participant has been chosen for providing of ancillary services organised according to national market rules by HEP OPS or MAVIR for specified time period and
- Auction Participant has concluded with the TSO appropriate agreements for deliveries of ancillary services from abroad and

- time period according to first para above of this Article shall be specified in Notification of Capacity Reservation for Balancing Energy Deliveries and has to comprise at least a whole calendar month and
- amount of Allocated Capacity to be confirmed to be reserved for deliveries of balancing energy has to be the same for all hours in the time period and
- Auction Participant together with the TSO has to inform the Auction Office and the affected neighbouring TSO of the planned use of the Allocated Capacity for deliveries of balancing energy by delivery of the Notification of Capacity Reservation for Balancing Energy Deliveries (see ANNEX VII) at least 5 working days prior the 1st day of the next calendar month.

Confirmation of Allocated Capacity to be reserved for deliveries of balancing energy becomes effective with the receipt of the Auction Office's confirmation of the notification registration by Auction Participant and both TSOs.

11. CURTAILMENT

Should it become necessary to reduce the Allocated Capacities (Curtailed of Allocated Capacities) the Auction Participants will be informed as soon as possible.

Before the deadline of the submission of the schedules the Allocated Capacities shall be reduced by Auction Office based on the request of MAVIR and/or HEP OPS.

After the confirmation of the submitted schedules, the reduction of the Confirmed Schedules shall be implemented pursuant to the proceedings set forth in the relevant laws, and shall only be used in emergency situations where the relevant TSO must act in an expeditious manner and redispatching or countertrading is not possible. Any such procedure shall be applied in a non-discriminatory manner.

Curtailed of Allocated Capacities owing to circumstances which **do not** constitute Force Majeure entitles the Auction Participant to a proportionate refund of the Auction Price.

11.1. Curtailment of Allocated Capacities

Auction Office (based on request of MAVIR and/or HEP OPS) informs the Auction Participants of a Curtailment of Allocated Capacities and will submit the values of the reduced Capacities. The Auction Participants have to submit their schedules to HEP OPS and to MAVIR taking into consideration the reduced Capacities.

In case of Curtailment of Allocated Capacity from a yearly and/or monthly auction – before a schedule can be transmitted to MAVIR and/or HEP OPS (before 8:00 (CET) respectively of the relevant day) –, the Auction Participant whose Allocated Capacity has been curtailed shall be compensated at 100% of the total payments effectuated for the hours of curtailed capacity (i.e. he shall be compensated with the relevant Auction Price which he paid)..

In case of Curtailments Auction participant is obliged to issue invoice (based on data provided by HEP OPS) to the Auction Operator within the first week of the month M for the month M-1 together for yearly and monthly capacity. The invoice will be paid by Auction Operator within fifteen (15) days from receipt of the invoice.

In cases of Curtailment of Allocated Capacities following priority order is used:

1. Capacity offered for daily and/or monthly auction.
2. Capacity allocated in daily auction.
3. Capacity allocated in monthly auction.
4. Capacity allocated in yearly auction

Within each of the above listed groups of capacities, there will be used proportional Curtailment.

12. TRANSFER OF ALLOCATED CAPACITIES

Allocated Capacities awarded in yearly and monthly auctions can be transferred by Auction Participants to other interested market participants under the following conditions:

- It is only allowed to transfer Allocated Capacity bought in the course of the yearly and monthly auction to legitimated market participants;
- It is only allowed to transfer Allocated Capacity in periods of whole day from 0:00 (CET) till 24:00 (CET) ("period of transfer") or integral multiple of 1 day.
- It is only allowed to transfer Reserved Capacity if the Auction Price is paid (i.e. Allocated Capacity) e.g. in advance for the relevant month (incoming payment on the bank account mentioned in article 8).
- The number of transferable capacity per hour can be 1 MW or integral multiple of 1MW. The transferable volume should not exceed the volume of Reserved Capacity (gained at auction) and hourly volume should be the same for the period of reserve capacity transfer.
- Auction Participants – both the new and the old holder of Allocated Capacity – are obliged to inform HEP OPS about any such transfer at least three (3) working days (Monday to Friday) till 12:00 (CET) before the period of transfer starts by sending request for transfer of capacity through Application System.

The transfer becomes effective by delivery of the confirmation of HEP OPS on its own behalf by Application System both to the new and the old holder of such transferred reservation of capacity. After confirmation of the transfer by HEP OPS only the new holder of the capacity shall be entitled to use the transferred capacity. HEP OPS is not obliged to examine the rightful transfer between the old holder and the new holder of the capacity. In case the transfer does not comply with these Auction Rules or the Auction Participant announces to transfer more and/or other capacity than it has purchased in the course of an auction the whole transfer shall not be valid. Any disputes arising from disagreements between the old and the new holder of the capacity do not affect the validity of the transfer after confirmation by HEP OPS.

The old holder of the reservation is obliged to impose and assign all obligations resulting from the participation in the auction procedures to the new holder of the transferred reservation of capacity. The old and the new holder of such transferred reservation of capacity shall be jointly and severally liable for all obligations resulting from the participation in the auction procedures until all obligations resulting from the participation in the auction procedures are fulfilled. This regulation is also applicable in case of several transfers. This means, that in case of transfer of the reservation of capacity to several Auction Participants all market participants involved in any such transfer shall be jointly and severally liable for all obligations resulting from the participation in the auction procedures.

13. WAIVER OF RIGHT TO COMPENSATE

The Auction Participant is not entitled to offset and/or withhold any debts that arise in connection with yearly and monthly auctions to any claim on MAVIR and/or HEP OPS, whether or not arising out of a yearly or monthly auction.

14. NOTICES

Except where these Auction Rules provide otherwise, any notice given under these Auction Rules must be in writing and addressed to the Auction Office as follows:

Notification by mail: HEP – Operator prijenosnog sustava d.o.o.,
Kupska 4, Zagreb; Croatia

Notification by e-mail: heptso-cap@hep.hr

Notification by phone: + 385 1 6321 - 514

Notification by facsimile transmission: + 385 1 6321 - 446

15. LIMITATION OF LIABILITY

MAVIR and/or HEP OPS shall not be liable for any damage caused by slight negligence. Claims for damages arising out or related to the Auction Rules and/or the Contract are limited to the damages typical and foreseeable, unless MAVIR and/or HEP OPS have acted wilfully or by gross negligence. In no event shall MAVIR and/or HEP OPS be liable for any loss of profit, loss of business, or any other indirect incidental, special or consequential damages of any kind. In any case the liability of MAVIR and/or HEP OPS for damages arising out or related to these Auction Rules shall be limited to € 10.000, -- in total.

HEP OPS and MAVIR undertake to carry out the provisions set out in the Auction Rules with the diligence of a careful businessman and control area manager in compliance with the applicable regulations set out by European law, respectively by the EU-Regulation, Croatian and Hungarian law and by the Croatian and Hungarian Regulatory Authorities.

Deviating from the Croatian Civil Code the burden of establishing guilt is fully on the Auction Participant.

Liability for a breach of contract damaging life, physical well-being, or health that has been caused wilfully, by gross negligence, or by a felony offence cannot be validly excluded.

Any contractual article shall be null and void if it beforehand limits or excludes liability for damage proceeding from wilful or gross negligence; injury to life, physical well-being, or health; or the consequences of a crime.

16. FORCE MAJEURE

MAVIR and/or HEP OPS shall not be held liable for non-performance, defective performance or delayed performance of obligations arising from these Auction Rules if and to the extent that said non-performance, defective performance or delayed performance is due to circumstances over which the obliged party has no influence, including but not limited to Force Majeure or other circumstances the relevant party is not responsible for and which cannot be solved by measures which, from a technical, financial and/or economic point of view, can reasonably be taken by MAVIR and/or HEP OPS .

17. MISCELLANEOUS

Notwithstanding special provisions set out in these Auction Rules no modification of the contract between MAVIR and/or HEP OPS on the one hand and the Auction Participant on the other hand shall take effect unless it is in writing, by fax or e-mail confirmed, executed and delivered by MAVIR and/or HEP OPS.

If any part or provision of these Auction Rules and/or its Annexes are or become invalid, illegal, void and/or unenforceable, the remaining part(s) shall continue to be valid and enforceable and shall not be affected thereby. Any invalid, illegal, void and/or unenforceable part(s) or provision(s) shall be replaced by valid, legal and/or enforceable part(s) or provision(s) in order to achieve the intended economic and legal effect as far as possible.

18. CONFIDENTIALITY

By operation and performance under Auction Rules MAVIR and/or HEP OPS and its affiliates, if any, may receive or have access to Auction Participant 's confidential information. Confidential information shall include all information delivered in writing and designated as "Confidential", or disclosed other than in writing, information as to which the person to whom such information is disclosed, prior to or essentially concurrent with such disclosure, is made aware that confidential information may be or is being disclosed. MAVIR and HEP OPS agrees to hold the confidential information in confidence and not to disclose or make such confidential information available, in any form, to any third person or to use such confidential information for any purpose other than the contemplation of the provisions of these Auction Rules except to public authorities.

The provisions of this article 17 shall not apply to any information disclosed to MAVIR and HEP OPS as contemplated by said article if:

- a. before such disclosure it was public knowledge or, after such disclosure, becomes public knowledge through no fault of MAVIR and HEP OPS ;
- b. it was known to MAVIR and HEP OPS before that disclosure;
- c. after that disclosure the same information is received by MAVIR and HEP OPS from a third party owing no obligation of secrecy to the respective Auction Participant in respect to such information.

19. AMENDMENTS AND CHANGES

HEP OPS and MAVIR reserve the right to amend and/or adapt these Auction Rules.

Any amendments and changes to these Auction Rules shall be notified to the Auction Participants by means of publication of the respective new version of these Auction Rules on the website of Auction Office. Such notification shall include reference to the articles amended or changed and the date on which the new version of these Auction Rules enters into force. Each version of these Auction Rules shall bear its specific number.

20. APPLICABLE LAW, DISPUTE RESOLUTION AND VENUE

These Auction Rules shall be governed by and construed in accordance with the laws of Croatia without recourse to Croatian private international law as well as by EU law, particularly Directive 2003/54/EC and Regulation 1228/2003/EC. For the avoidance of doubt, the application of the UN Convention on the International Sale of Goods shall be excluded.

In the event of any dispute or differences arising from these Auction Rules and its Annexes or related to its violation, termination or becoming null or void, the parties concerned shall endeavour to reach an amicable settlement. The claimant is obliged to describe and present its claim in detail including the identification of the respective article/paragraph of the Auction Rules. However, in the event that such a settlement is not reached within thirty (30) days of first notification of the reason for the disputes, then all disputes arising in connection with these Auction Rules shall be resolved by a three-person Arbitral Tribunal appointed in accordance with the rules of arbitration of the United Nations Commission of International Trade Law (Uncitral Rules). All costs and expenses incurred in connection with any arbitral proceedings hereunder shall be born by the losing party, except as provided otherwise in the arbitral award.

The place of arbitration for all disputes, arising from the auction processes, concerning the yearly and monthly auctions, shall be the competent Arbitration Court at the registered seat of the Auction Office.

The place of performance of all obligations of the Auction Participants resulting from the yearly and monthly auctions held in accordance with these Auction Rules and its Annexes shall be the registered seat of the Auction Office.

21. COMPLAINT PROCEDURE

Should the Auction Participant come to conclusion that the Auction Rules have been breached by an incorrect calculation, incorrect output from data check, or incorrect evaluation, the Auction Participant is entitled to initiate through its representative, the “Auction System” User examination procedure. The request must be delivered to the contacts of Auction Office by signed fax message or via registered mail within two (2) working days from receiving the invoice or other relevant document, and must contain:

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

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

If the Parties could not reach an agreement within 30 days from the day of irregularity occurs the Auction Participant may refer a complaint pursuant to the process described in the Auction Rules to the relevant national Regulatory Authority according to Article 23, paragraph 5 of the Directive 2003/54/EU. The Auction Participant shall indicate in the complaint the TSO, to whom process the complaint concerns. The national Regulatory Authority of the concerned TSO, acting as dispute settlement authority shall issue a decision after receipt of the complaint within the time frame set forth in the Directive 2003/54/EU.

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

The complaint procedure according to Article 23, paragraph 5 of the Directive 2003/54/EU described in this Article does not affect the right of the Auction Participant set forth in Article 20.

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

ANNEX I. Application for participation in auctions for cross-border transfer capacities allocation

APPLICATION FOR PARTICIPATION IN AUCTIONS FOR CROSS-BORDER TRANSFER CAPACITIES ALLOCATION ON CROATIAN – HUNGARIAN INTERCONNECTION IN THE YEAR 2010

The applicant hereby submits an application for participation in auctions for the allocation of cross-border transfer capacities, which are organized and implemented by HEP - Operator prijenosnog sustava d.o.o. as the Transmission System Operator.

The mutual relations between the applicant and the Auction Operator are regulated in accordance with „Yearly and Monthly Auction Rules for 2010 on Croatia-Hungary Interconnection Capacity between the control areas of HEP – Operator prijenosnog sustava d.o.o. and MAVIR ZRt”

1. GENERAL INFORMATION ABOUT THE APPLICANT

<i>Full title or name of applicant</i>	
<i>Registered office or address of applicant</i>	
<i>Place / postal code</i>	
<i>Country</i>	
<i>Address for mail and invoices, if different from applicant's registered office</i>	
<i>Phone</i>	
<i>Fax (for invoices)</i>	

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<i>E-mail</i>	
<i>Tax number</i>	
<i>Registration number of applicant</i>	
<i>EIC code of applicant</i>	
<i>Number of transaction account with bank branch</i> <i>(SWIFT, IBAN, BANK ADDRESS)</i>	
<i>Responsible officer – name</i>	

Auction Participant who wants to participate to yearly and monthly auctions has to enclose Bank Guarantee or pay Deposit in amount of 350.000,00 HRK.

2. PERSONS AUTHORIZED TO PARTICIPATE IN AUCTIONS

Name	1.	2.
Title/department		
Business phone		
Cellphone		
Fax		
E-mail		

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Name	3.	4.
Title/department		
Business phone		
Cellphone		
Fax		
E-mail		

3. APPLICANT'S CONTACT PERSONS - FINANCIAL ISSUES

Name	1.	2.
Title/department		
Business phone		
Cellphone		
Fax		
E-mail		

4. APPLICANT'S CONTACT PERSONS - TECHNICAL/IT SUPPORT ISSUES

Name	1.	2.
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Title/department		
Business phone		
Cellphone		
Fax		
E-mail		

5. ON-DUTY EMPLOYEE AUTHORIZED TO TAKE ACTION IN CASE OF RESTRICTED USE OF ALLOCATED CROSS-BORDER TRANSFER CAPACITIES

Name	1.	2.
Title/department		
On-duty phone number		
Fax		
E-mail		

6. EVIDENCE OF FULFILLED REQUIREMENTS:

- a certified copy of the balance agreement, provided the System Operator is not a co-signatory of such agreement (in case when applicant want to use capacity according to point 9 of these Rules)
- an extract from the court register of companies, issued in the past sixty (60) days. If such certificates are not issued by the judicial authorities in the auction applicant's country of domicile, the applicant shall replace such certificate with the certificate of another competent authority;
- a document proving that the signatory of the application has been authorized by a lawful representative (in cases when the application is not signed by the lawful representative specified in the evidence from the previous item):
- Bank Guarantee or Deposit.

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7. STATEMENTS

The applicant hereby declares that he/she/it was familiarized with these Auction Rules prior to signing this Statement and accepts them. The applicant declares that all information given in this application and in the specified enclosures are true and accurate.

The applicant agrees that the Auction Office may make any necessary inquiries with the competent authorities whenever this is deemed necessary. The acquired information shall be used exclusively for the needs of the auction's implementation and financial settlement.

Confirmation of the Application Form creates a contract between the Auction Office and Applicant.

For Applicant:

Place:

Date:

Name and position:

Signature of authorized person:

Stamp:

For Auction Office:

Place:

Date:

Name and position:

Signature of authorized person:

Stamp:

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ANNEX II. AUCTION PROCEDURE

The Auction Office accepts all bids through Application System which are received before the Deadline. After expiry of the deadline – see article 7.1 for yearly and monthly auction deadlines – all valid bids will be listed starting with the bid offering the highest price per MW for the auctioned capacities.

If two or more delivered Bids offer the same price per MW the priority shall be given to Bids with larger amount in MW.

If two or more delivered bids offer the same price per MW and the same amount in MW the priority shall be given to Bids with earlier time stamp.

If the total amount of the requested reservation of ATC is smaller than the ATC or equals the ATC, payment for congestion management procedure will amount to zero, i.e. each Auction Participant will receive the Reserved Capacity according to his bid and free of charge at the bottleneck.

If the total amount of the requested reservations of ATC exceeds the ATC, the price for the reservation of capacities shall be determined by the bid with the lowest price offer, accepted by the Auction Office in the allocation process of the auctioned ATC (“Auction Price”).

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

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ANNEX III. PUBLIC HOLIDAYS AND DAYS WHEN NO AUCTION IS HELD

Date	Description
01.01.2010 (Friday)	New Year's Day (HU/HR)
06.01.2010 (Wednesday)	Epiphany (HR)
15.03.2010 (Monday)	Anniversary of the Revolution 1848-49 (HU)
04.04.2010 (Sunday)	Easter Sunday (HU/HR)
05.04.2010 (Monday)	Easter Monday (HU/HR)
01.05.2010 (Saturday)	Labour Day (HU/HR)
23.05.2010 (Sunday)	Whit Sunday (HU)
24.05.2010 (Monday)	Whit Monday (HU)
03.06.2010 (Thursday)	Corpus Christi (HR)
22.06.2010 (Tuesday)	Anti-Fascist Struggle Day (HR)
25.06.2010 (Friday)	National Day (HR)
05.08.2010 (Thursday)	Victory and Homeland Thanksgiving Day (HR)
15.08.2010 (Sunday)	Assumption Day (HR)
20.08.2009 (Friday)	Foundation Day/St. Stephen's Day (HU)
08.10.2010 (Friday)	Independence Day (HR)
23.10.2010 (Saturday)	National Day (HU)
01.11.2010 (Monday)	All Saints' Day (HU/HR)
24.12.2010 (Friday)	Christmas Eve (HU)
25.12.2010 (Saturday)	Christmas Day (HU/HR)
26.12.2010 (Sunday)	St. Stephen's Day/Boxing Day (HR/HU)
31.12.2008 (Friday)	New Year's eve

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ANNEX IV. Scheduled dates of the yearly and monthly auctions in 2010 (indicative)

Yearly Auction		Date
Year 2010	Publication of Auction Specifications Auction Day	23.11.2009 08.12.2009

Monthly Auctions		Date
January 2010	Publication of Auction	14.12.2009
	Specifications Auction Day	17.12.2009
February 2010	Publication of Auction	12.01.2010
	Specifications Auction Day	15.01.2010
March 2010	Publication of Auction	12.02.2010
	Specifications Auction Day	16.02.2010
April 2010	Publication of Auction	12.03.2010
	Specifications Auction Day	16.03.2010
May 2010	Publication of Auction	12.04.2010
	Specifications Auction Day	15.04.2010
June 2010	Publication of Auction	12.05.2010
	Specifications Auction Day	17.05.2010
July 2010	Publication of Auction	11.06.2010
	Specifications Auction Day	15.06.2010
August 2010	Publication of Auction	12.07.2010
	Specifications Auction Day	16.07.2010
September 2010	Publication of Auction	12.08.2010
	Specifications Auction Day	16.08.2010
October 2010	Publication of Auction	13.09.2010
	Specifications Auction Day	16.09.2010
November 2010	Publication of Auction	12.10.2010
	Specifications Auction Day	15.10.2010
December 2010	Publication of Auction	12.11.2010
	Specifications Auction Day	17.11.2010

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ANNEX V. Bank Guarantee

Date: _____

Guarantee No: _____

Applicant:

Beneficiary: HEP – Operator prijenosnog sustava d.o.o., Kupska 4, 10 000 Zagreb, Croatia

We, (name of bank) upon request of our clients herewith issue this guarantee and undertake irrevocably and unconditionally to transfer to you within 5 working days as from receipt of your first written demand, stating that our clients have not fulfilled their payment obligations, without examination of the underlying legal relationship and waiving all objections arising therefrom, amounts up to a total sum of

HRK 350.000,00 (threehundredfiftythousand) Croatian Kuna

Altogether, to an account to be indicated by you.

Our guarantee will be automatically reduced by the amount of any payment effected to you by our clients through us with reference to our a. m. Guarantee number.

Our guarantee will expire automatically, as soon as we have received back the present instrument, however, on _____, at the latest, even if the present instrument is not returned to us, unless your claims by letter (sent by registered mail or by courier service), if any, have reached us on or before that date.

Any assignment, pledge or other disposition in favour of third party of the right to draw under this present guarantee is subject to our prior express approval.

This guarantee is governed by and shall be construed in accordance with the laws and regulations of the Republic of Croatia.

Signature of the Guarantor

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ANNEX VI. Statement of Acceptance

Auction Participant:

(Name, Position, Address)

EIC -Code-Nr.:

We hereby declare our intention to participate in the auction of available Interconnection capacity for electricity transfers between Croatia and Hungary.

We fulfil all participation requirements of these Auction Rules and Annexes. Moreover, we have read and fully and unconditionally accept to abide and to be bound by all rules and regulations and IT requirements of the Interconnection Capacity Access Rules on Croatian-Hungarian border, which have been published on the website of HEP OPS and MAVIR and which are in force at the time of relevant transactions.

We acknowledge that our admission to participate in the auction may be withdrawn in case regulations of the Interconnection Capacity Access Rules on Croatian-Hungarian border are breached.

We will provide all securities and guarantees required by the Interconnection Capacity Access Rules on Croatian-Hungarian border.

We hereby declare that we have been lawfully and duly incorporated as per the laws of [the State where the participant has its registered offices], we are in good standing and we validly operate under the laws of the [State where the participant has its registered offices]. Furthermore, we hereby guarantee that there is no condition under the laws of[the State where the participant has its registered offices], which prevents us from participating in the Auctions and meeting our obligations in respect thereof.

We undertake to directly inform you in case of any change occurred in the company's status as declared herein.

Date:

Signature:

.....

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ANNEX VII. Notification of Capacity Reservation for Delivery of Balancing Energy

Notification of Capacity Reservation for Delivery of Balancing Energy

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

Capacity allocated in yearly/monthly auction organized by Auction Office

	From	To	Auction Type+
Period			

+ Field "Auction Type" may be YEARLY or MONTHLY

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

From	
To	

Fields "From" and "To" may be MAVIR and HEP OPS

	Auction Participant	TSO – Receiver of Balancing Energy	Transit/supplier TSO
Date			
Signature			