

HEP - Operator prijenosnog sustava d.o.o.

**RULES ON ALLOCATION AND USE OF  
CROSS-BORDER TRANSMISSION  
CAPACITIES**

Zagreb, November 2009

Pursuant to Article 16 Paragraph 2 of the Electricity Market Act (Official Gazette 177/04, 76/07 and 152/08) with the previous consent of the Croatian Energy Regulatory Agency (Class: 310-02/09-01/151, No.: 371-01/09-04 from 4 November 2009), HEP - Operator prijenosnog sustava d.o.o, Zagreb adopted these:

## **RULES ON ALLOCATION AND USE OF CROSS-BORDER TRANSMISSION CAPACITIES**

### **1. GENERAL PROVISIONS**

#### Article 1

These Rules on Allocation and Use of Cross-Border Transmission Capacities (hereafter referred to as the „Rules“) shall regulate the methods and conditions of allocation and use of cross-border transmission capacities at the interconnection lines of electricity system of the Republic of Croatia with the electricity systems of neighboring countries.

#### Article 2

HEP – Operator prijenosnog sustava d.o.o. (hereinafter referred to as the “Transmission System Operator“) shall determine the cross-border transmission capacity (hereinafter referred to as “transmission capacity“) according to the definitions and methodologies of the UCTE Operation Handbook, that is, ENTSO-E regional group for continental Europe and other ENTSO-E acts.

#### Article 3

The Transmission System Operator shall share transmission capacity and rights of allocation of transmission capacities at the particular border of the Republic of Croatia with the transmission system operator of the neighboring country (hereinafter referred to as „Neighboring transmission system operator“) in the 50:50 ratio.

## Article 4

The Transmission System Operator shall determine the method of allocation of common transmission capacities with the neighboring transmission system operators in accordance with these Rules.

Common allocation of transmission capacities referred to in Paragraph 1 of this Article shall be regulated by the rules regulating allocation of transmission capacities. These rules shall be drawn up by Transmission System Operator and neighboring transmission system operator previously acquiring consent from the authorized national regulatory bodies. These rules shall form a constituent part of this Rules on allocation and use of cross-border transmission capacities.

Rules referred to in paragraph 2 of this Article shall contain:

1. Rules for Common Yearly Auction and Common Monthly Auctions for Allocation of Crossborder Transmission Capacities
2. Rules for Common Daily Auction for allocation of Crossborder Transmission Capacities

## Article 5

Allocation of transmission capacities on the particular border of the Republic of Croatia shall be organised and conducted by Transmission System Operator according to the Article 3.

## Article 6

The terms used in these Rules have the meaning ascribed to them in the Energy Act (Official Gazette 68/01, 177/04, 76/07 and 152/08), in the Electricity Market Act (Official Gazette 177/04, 76/07 and 152/08) and Electricity Market Rules (Official Gazette 135/06).

For the purpose of these Rules, the following terms shall have the following meanings:

- „**Until full allocation**“ – an offer for allocation of transmission capacities without limitation of accepting transmission capacities, i.e. the offer of the participant shall be accepted in the requested or decreased amount;

- **Allocated transmission capacities** – an allocated right to use transmission capacities at the borders of the electricity system of the Republic of Croatia;

- **Auction** – a procedure of transmission capacities allocation on the basis of submitted offers of the participants based on decreasing price order;

- **EIC Code** (*Energy Identification Coding Scheme*) – an identification code assigned by ETSO (European Transmission System Operators), used as an identification mark of an participant;

- **Marginal price** – a price of the last entirely or partially accepted bid from allocation bids of transmission capacities at an auction in decreasing price order, starting with the highest price offer at the top, to the lowest price offer at the bottom;

- **Marginal bid** – the first bid in the order where required transmission capacity added up together with all required capacities of all sequenced previous bids equals or is higher than offered transmission capacities;

- „**First come first served**“ – the mechanism of allocation of transmission capacities within a day by giving preference to transmission capacity due bids according to arrival time of the bid;

- **Cross-border transmission capacities** – transmission capacities of the cross-border lines of the Republic of Croatia, expressed in terms of product and value in MW, available to energy entities entitled to participate in the process of allocation of cross-border transmission capacities;

- **Transmission capacities' product** (hereafter referred to as „the product“) – a set of characteristics, consisting of transmission direction, allocation period and duration of transmission capacities:

- **Transmission direction** – the direction of electricity transmission over the border of the Republic of Croatia and the neighboring country, where the transmission capacities are being allocated;
- **Period of allocation** – the period for which the transmission capacities are being allocated (year, month, day and hour)

- **Transmission capacities' duration** – transmission capacities, allocated for defined period, in duration of one (1) hour to twenty four (24) hours;
- **Participant** – an energy entity that plans to participate and participates at an allocation and/or use of cross-border transmission capacities, in accordance with the provisions of these Rules;
- **Allocation system** – a software support for communication between the Transmission System Operator and participant;
- „**All or nothing**“– an offer for allocation of transmission capacities with limited acceptance of transmission capacities in the manner that the offer of the participant is accepted in the requested amount if there is enough transmission capacities for allocation. Otherwise, the offer is entirely rejected;
- **UCTE (Union for the Co-ordination of Transmission of Electricity)** – association of the transmission system operators of Continental Europe that stopped operating on June 30, 2009 and whose members are Co-founders of ENTSO-E (*European Network of Transmission System Operators for Electricity*) Pan-European Association of transmission system operators, that took over UCTE's activities, especially via its regional group for Continental Europe.

## **2. PUBLICATION OF TRANSMISSION CAPACITIES FOR ALLOCATION**

### Article 7

Transmission system operator shall publish the product and the amount of the transmission capacities on its web page and/or allocation system:

- for yearly auction, 2 months before beginning of use of transmission capacity,
- for monthly auction, until 15th in the current month for the following month
- for daily auction, until 10:00 am in the day of the auction
- for intraday auction, after the closure of the day ahead scheduling process, no later than 06:00 pm

## **3. ALLOCATION OF TRANSMISSION CAPACITIES**

### Article 8

Transmission system operator provides a service of transmission capacity allocation by auctions and intraday allocation.

Separate auction is organized for each product, which given the award period can be yearly, monthly, daily and intraday.

In case of not conducting intraday auctions transmission capacity available for allocation shall be allocated by intraday allocation based on "first come first serve" rule.

### Article 9

The energy entity that would like to participate at the allocation shall be obliged to submit a filled form of the Application for participation in allocation of crossborder transmission capacities (hereinafter referred to as the „Application“)

The Application shall contain the following information:

1. Company name, registered office, EIC Code, registration number of the Court Register, VAT number, number and type of license to perform energy activity, telephone and fax number;
2. Data, telephone numbers and e-mail addresses for contacting authorized persons for the purpose of submitting the offer;
3. Number of the Contract on Electricity Balancing;
4. Number of the Agreement Regulating Mutual Relations in the Electricity Market between the Market Operator and Market Participant;
5. Main Bank account number, and the address of the bank;
6. Attachment: payment insurance instrument (deposit or bank guarantee in accordance with Article 45 of these Rules).

The Application shall be signed by authorized person specified in the document in paragraph 2 of the previous Article. The Application can sign another person, but than enclosed with the Application must be a written document on such authorization (power of attorney).

In case of incomplete Application, the Transmission System Operator shall ask the submitter to correct or to fill up the Application.

#### Article 10

The Request shall be filled up in Croatian language, and delivered to the Transmission System Operator by registered mail or directly.

The Transmission System Operator shall have the right to ask the submitter for additional data or to explain the submitted data for participation at allocation and use of transmission capacities.

#### Article 11

The participant needs to inform immediately the Transmission System Operator in writing about the changes of submitted data from Article 9 of these Rules. If the participant does not adequately inform the Transmission System Operator on the

changes of data from the Request, the Transmission System Operator can deprive the submitter of the right to participate at allocation and to use transmission capacities.

## Article 12

Transmission capacity available for allocation shall be determined on the following way:

Transmission capacities not allocated at yearly auction and the transmission capacity which has been allocated at yearly auction but has not been paid in deadline defined by this Rules shall be allocated at monthly auctions.

The transmission capacities not allocated at monthly auction, as well as transmission capacities allocated on monthly auction but has not been paid in deadline according to this Rules shall be allocated at daily auctions.

The transmission capacities not allocated at monthly auction, as well as transmission capacity which has been allocated on yearly and monthly auction but its usage has not been nominated to Transmission System Operator according to this Rules shall be allocated on daily auctions.

The transmission capacities uncommitted at daily auction, as well as the transmission capacities allocated at daily auction, but which use was not reported to the Transmission System Operator according to the provisions of these Rules, shall be allocated at intra-day auctions.

The Transmission Capacity which remained unallocated on daily auction as well as transmission capacity which has been allocated on daily auction, but its usage has not been nominated to Transmission System Operator according to this Rules can be allocated on intraday auctions.

In case of not conducting intra day auctions transmission capacity which remained unallocated on daily auction as well as the transmission capacity which has been allocated on daily auction, but its usage has not been nominated to Transmission System Operator according to this Rules shall be allocated by intraday allocation procedure based on "first come first serve" rule.



### Article 13

The minimum amount of transmission capacities allocated and used shall be 1 MW.

### Article 14

The Transmission System Operator shall publish a date and the time of each auction through Allocation system no later than:

- One month before performing a yearly auction;
- Five (5) days before performing a monthly auction;
- One (1) working day before performing a daily auction;
- One (1) working day before performing an intra-day auction.

Daily auction is conducted every working day prior to the use of allocated transmission capacity. In the case where between the day of allocation of capacity and the following working day exists a non-working day (Saturday and Sunday) or a holiday, Transmission System Operator organizes separate auctions for each non-working day, holiday and the next working day.

### Article 15

If yearly or monthly auction shall fail or shall not be performed for any reason, the Transmission System Operator shall publish on its Internet web page and/or Allocation system a date and time of the new auction.

If daily or intra-day auction shall fail or shall not be performed for any reason, the Transmission System Operator shall not organize a new auction.

### Article 16

After the opening of an auction, the participants shall submit the offers for allocation of transmission capacities by allocation system of the Transmission System Operator. A time stamp shall be assigned to each offer that arrived.

### Article 17

To participate at an allocation the participants must settle their financial obligations

towards the Transmission System Operator.

#### Article 18

During the period provided for submitting of the bid, the participant can withdraw the bid and send a new one. A participant can submit a few bids for a specific product, and the sum of the all amounts of the requested transmission capacities cannot exceed the amount of the allocated product.

#### Article 19

The bids cannot be accepted or changed after the expiration for the offer registration.

#### Article 20

The participant can submit the bid „until full allocation“ of the transmission capacities, or the bid „all or nothing“. The type of the bid shall be set up through the Allocation system.

#### Article 21

The Transmission System Operator shall not accept the participant's offer, which is not submitted in accordance with the provisions of these Rules.

#### Article 22

If the total of requested transmission capacities for a particular product from submitted bids is lower or equal to the amount of transmission capacities offered at yearly, monthly, daily or intraday auction, those particular capacities shall be allocated to all auction participants in accordance with their demand, visible from the submitted bids.

#### Article 23

If the total of requested transmission capacities for a particular product from submitted bids is higher than amount of capacities offered at yearly, monthly, daily or intraday auction marginal bid of the transmission capacities shall be determined and transmission capacities shall be allocated according to the following criteria:

- The bid with higher price shall have the advantage before lower-price bid;
- If there are several bids with the same price, the bid with higher requested

- amount shall have the advantage before lower amount bid;
- If there are several bids with the same price and amount, the bid registered the first shall have the advantage before bid later registered;
  - If all three parameters are identical, the bid of type „all or nothing“, if such exists, shall have the advantage. Otherwise, all bids of the same type shall be rejected.

If the marginal bid is of type “all or nothing“ and partially exceeds offered amount of transmission capacity on its place comes following bid which than becomes new marginal bid.

Transmission capacity can be allocated to those participants whose bids are before marginal bid in decreasing price order, as well as to the participant with marginal bid in accordance with provisions from this article, who shall receive allocation of transmission capacity until full allocation.

#### Article 24

After termination of an auction the Transmission System Operator:

- shall inform the participants on auction results by Allocation system or in some other way. The information on transmission capacities allocation shall contain:
  - Auction identification number;
  - Identification number of participant;
  - Identification number of allocated transmission capacities;
  - Product;
  - Allocated transmission capacities in MW;
  - Marginal price without VAT in HRK/MW for allocated transmission capacities.
- shall publish total auction results through allocation system, no later than 1 hour after the closure of an auction and/or on its official internet website, by which officially terminates auction procedure.

## Article 25

Participant has right to complain to the results of yearly and monthly auction no later than 03:00 pm the next working day following the publication of results of the auction. Memo marked "complaint" shall be delivered by fax device, and confirmed by official letter to Transmission System Operator.

Transmission System Operator is obliged to respond to received complaint no later than 03:00 pm next working day after the receipt of the complaint under paragraph 1 of this article.

## Article 26

Intraday allocation procedure based on "first come first serve" rule begins after the publication of the available capacity.

Bids are submitted through allocation system no later than 2 hours and 15 minutes before the beginning of the use of transmission capacity.

In case of unavailability of allocation system bids should be sent to Transmission System Operator by fax device in specified form.

## 4. TRANSMISSION CAPACITIES' PRICE

### Article 27

The participant's offer price in HRK/MW shall be the highest price that the participant shall be willing to pay for the requested transmission capacities.

The price specified in the bid in HRK/MW, must be rounded to two decimal places and bigger than 0.

The price stated in the bid shall not include VAT.

### Article 28

The allocated transmission capacities shall not be charged if the amount of transmission capacities shall be higher or equal to the total requested capacities at an auction and the transmission capacities shall be allocated to the participants in accordance with Article 22 of these Rules.

## Article 29

The participant whose offer was accepted shall pay a marginal price at the auction for those particular transmission capacities if the amount of transmission capacities of the particular product shall be lower than total requested capacities at an auction, and the transmission capacities shall be allocated to the participants in accordance with Article 23 of these Rules.

## Article 30

Transmission capacity allocated in intraday allocation procedure based on “first come first serve” rule shall not be charged.

## 5. USE OF ALLOCATED TRANSMISSION CAPACITIES

### Article 31

The participant, to whom the transmission capacities are allocated on yearly and monthly auctions, shall be able to transfer the allocated transmission capacities entirely or partially to another participant.

The minimum amount of transmission capacities that can be transferred to another participant shall be 1 MW.

The deadline for transferring the rights to use transmission capacities allocated yearly and/or monthly auction shall be 08:00 am, two (2) working days before the use of transmission capacities.

### Article 32

The transfer of rights to use transmission capacities shall be performed by the Transmission System Operator's Allocation system.

The participant to whom the transmission capacities were transferred shall need to confirm the transfer of rights to use transmission capacities, and the Transmission System Operator shall need to approve it.

The transmission of allocated capacities from one participant to the other shall be

possible only if the participant transferring the transmission capacities settled his obligations due for payment of the allocated transmission capacities.

In case of malfunction or non-functioning of the Allocation system, the participants shall apply to the Transmission System Operator for the transfer of rights to use transmission capacities by fax and by required form.

#### Article 33

The use of transmission capacities allocated at yearly and monthly auction in Republic of Croatia or in other neighboring countries participant reports to Transmission System Operator no later than 09:45 am one (1) working day before the use of transmission capacities, by submitting the cross-border electricity exchange plans.

The submitted plans of cross-border electricity exchange shall not be possible to change upon the expiry of the time-limit from paragraph 1 of this Article.

The participant shall lose the right to use the allocated transmission capacities at yearly and monthly auction, if it upon the expiry of the time-limit shall not submit to the Transmission System Operator plans of cross-border electricity exchange for the allocated transmission capacities.

#### Article 34

The participant shall report the use of transmission capacities allocated at daily auctions in Republic of Croatia and in neighboring countries by submitting plans of cross-border electricity exchange to the Transmission System Operator until the time specified in Electricity Market Act, one (1) working day before use of the transmission capacities.

The participant shall lose the right to use of allocated transmission capacities partially or entirely, which use shall not be as follows:

- Registered at the prescribed time period to the Transmission System Operator by the delivery of the correspondent plan of cross-border electricity exchange;
- Confirmed by the compliance procedure of the exchange plans implemented by

the neighboring transmission system operators for the common border.

Plans of cross-border electricity exchange can not be changed upon the expiry of the time-limit from paragraph 1 of this Article. Allocated transmission capacities which are not used by participant in reported exchange plan shall be available to all participants in intraday allocation procedure.

#### Article 35

The use of transmission capacity allocated on intraday auction or allocation procedure shall be reported not later than 2 hours before beginning of use of allocated capacity.

#### Article 36

Reported plans of cross-border electricity exchange need to contain information that unambiguously determines allocated transmission capacity.

Using transmission capacity is confirmed, in the process of harmonization exchange of Croatian power system with neighboring transmission operators according to UCTE handbook, part 2.

## 6. LIMITATION OF USE OF ALLOCATED TRANSMISSION CAPACITIES

### Article 37

In case the operational security of the system is in danger, the Transmission System Operator shall be able to partially or entirely limit the use of allocated transmission capacities.

### Article 38

In case of deciding on limiting the use of transmission capacities, that use shall be proportionally limited according to the following order:

1. Firstly, shall be limited transmission capacity offered on intraday, daily and/or monthly auction;
2. If further limitations shall be necessary:
  - 2.1. The use of transmission capacities, allocated on a intraday basis;
  - 2.2. The use of transmission capacities, allocated on daily basis;
  - 2.3. The use of transmission capacities, allocated at monthly level;
  - 2.4. The use of transmission capacities, allocated at yearly level.

### Article 39

The Transmission System Operator shall immediately inform participants of transmission capacities limitation by the Allocation system, telephone or e-mail on duration and volume of limitation.

### Article 40

For the period of limitation of use of allocated crossborder capacities, when Force Majeure was not the cause of limitation, Transmission System Operator shall pay the fee award limit of transmission capacity by auction prices by which capacity has been allocated.

### Article 41

Under the Force Majeure shall be considered all events and circumstances within the meaning of the Energy Treaty, which could not have been prevented,



avoided or eliminated, and have consequently resulted in inability for the Transmission System Operator to fulfill its obligations in accordance with these Rules.

## **7. FINANCIAL SETTLEMENT AND PAYMENT**

### Article 42

Transmission System Operator shall carry out the financial settlement for allocation of transmission capacities in currency of Croatian Kuna (HRK).

### Article 43

The financial settlement and payment shall be carried out on the basis of the data on allocation of transmission capacities as follows:

- for yearly auctions – Transmission System Operator shall carry out the financial settlement and shall charge liabilities for allocation of transmission capacities to each participant on a monthly basis by dividing the total liabilities according to months with respect to the number of days in an individual month, after the auction is finished, on the second working day in the month at the latest.
- for monthly auctions - Transmission System Operator shall carry out the financial settlement and shall charge liabilities for allocation of transmission capacities for the entire period to each participant after the auction is finished until the 20th day of the month at the latest.
- for daily and intraday auctions - Transmission System Operator shall carry out the financial settlement and charge liabilities for allocation of transmission capacities for the first half of the month until the 20th day of the month, and for the second half of the month until the 5th of the following month. In case the total amount of the invoice shall not exceed 500,00 HRK, Transmission System Operator shall issue one invoice until the 5th of the following month for the previous month.

Copy of an invoice will be sent via fax or e-mail and the original invoice via mail. Participant shall be obliged to inform Transmission System Operator if it doesn't receive the invoice within the given deadline.

#### Article 44

Payment due for the invoice referred to in Article 43 is eight (8) days from the date of its issuing.

#### Article 45

Payment insurance instrument shall be deposit or bank guarantee, recoverable on the first demand, unconditionally and without any objections in the amount of 350.000,00 HRK issued by commercial bank accepted by Transmission System Operator.

Bank guarantee shall be issued for the period of one year, including December 31st of the current year.

Participant shall provide one insurance instrument of payment for all transmission capacities auctions organized by Transmission System Operator.

#### Article 46

Participant can submit complaint on possible mistakes and irregularities to Transmission System Operator via e-mail or fax within two (2) days from receiving the invoice.

#### Article 47

Transmission System Operator shall send answer the complaint to the participant referred to Article 46 of these Rules via e-mail or fax within two (2) working days after receiving the complaint. Answer to complaint shall be final regarding financial liabilities of participant.

#### Article 48

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

## 8. FINAL PROVISIONS

### Article 49

The Transmission System Operator shall publish all information and forms regarding allocation and use of transmission capacities on its Internet web page.

### Article 50

The Transmission System Operator shall be competent for the interpretation of these Rules acquiring prior consent from Croatian Energy Regulatory Agency (hereinafter referred to as CERA).

### Article 51

A dissatisfied participant can submit a complaint to the CERA regarding the work of the Transmission System Operator in relation to the implementation of these Rules within thirty (30) days from the day of the possibly committed irregularity.

### Article 52

The Transmission System Operator shall submit a report on allocation of transmission capacities to the CERA once a month. The content and the scope of the report shall be determined by CERA.

### Article 53

Provisions of the Rules issued in 2008 shall apply to the participant who has been allocated transmission capacity based on the Rules on allocation and use of cross-border capacities from December 2008.

### Article 54

If a complaint is submitted on the work of the Transmission System Operator regarding the implementation of the Rules, the CERA shall require a statement from the Transmission System Operator within seven (7) days after receiving the CERA's request.

Article 55

CERA shall monitor the implementation of the Rules as well as initiate and propose their changes if necessary.

Article 56

Constituent part of these Rules shall be:

1. Yearly and Monthly Auction Rules on Croatia – Hungary Interconnection Capacity for 2010 between the control areas of HEP – Operator prijenosnog sustava d.o.o. and MAVIR ZRt;
2. Daily Auction Rules for the allocation of capacities on the interconnection congestion between the control areas of HEP – Operator prijenosnog sustava d.o.o. and MAVIR ZRt.

Article 57

The Rules on Allocation and Use of Cross-Border Capacities from December 2008 shall cease to apply on the day of entering into force of these Rules.

These Rules shall be published on the Internet web page of the Transmission System Operator and shall enter into force on the 8th day of its adoption.

Zagreb, November 10, 2009

**HEP - Operator prijenosnog sustava d.o.o.**

**Chief Executive Officer**