

Daily Auction Rules
for the
Allocation of capacities
on the
interconnection congestion
for 2011
between the
control areas
of
HEP-Operator prijenosnog sustava d.o.o. ("HEP OPS")
and
MAVIR Zrt. ("MAVIR")
("Daily Auction Rules")

Definitions / Terms

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

- **Allocated Capacity:** for the daily auctions this is the capacity that the Auction Participant gains by notification of the *Auction* results.
- **Auction Participant:** A person and/or an entity taking part in the auction procedures set out in the Daily Auction Rules and submitting to the Daily Auction Rules.
- **Auction Price:** the price in EUR/MW to be paid by Auction Participants receiving a reservation of capacity in case the total amount of the requested reservation of network capacity exceeds the ATC.
- **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, including General Rules for the Auctioning of the Reservation of Transmission Capacities and Specific Rules for the Daily Auctions of the Reservation of Transmission Capacities and describing the procedure applied to Daily auctions.
- **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 Daily Auction Rules; such an offer consists of two values per product (capacity per direction): a Capacity in MW and a Bid Price in euros 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.

- **Curtailment:** is the reduction of daily Allocated Capacity in emergency situations where HEP OPS and MAVIR must act in an expeditious manner. Curtailment of Allocated Capacity is compensated.
- **Curtailment of Allocated Capacities (Capacity Curtailment):** 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. Curtailment of Allocated Capacities shall only be used in case of unforeseen situations (e.g. unplanned maintenance). Any such procedure shall be applied in a non-discriminatory manner.
- **Daily Auction Office:** the entity executing the daily auction procedures and commissioned by MAVIR.
- **Daily Available Transmission Capacity ("ATC"):** the part of the NTC that remains available, after each phase of the allocation procedure, for further commercial activity and which shall be offered in the daily auction procedures.
- **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 the Council of 26 June 2003 concerning common rules for the internal market in electricity valid on the day of issuing of the Daily Auction Rules till 3 March 2011. From 3 March 2011 the Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003 and also Directive 2009/72/EC of the European Parliament and of the Council

of 13 July 2009 concerning common rules for internal market in electricity and repealing Directive 2003/54/EC shall be applied.

- **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.** (A Member of the HEP Group) ("HEP OPS") with registered office in Kupska 4, 10 0000 Zagreb, Croatia and with the number of the commercial register No: 080517105.
- **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 2011 there are two lines, which are operated at the voltage 400 kV (double circuit): the first between the substation Hévíz and substation Žerjavinec and the second between the substation Pécs and substation Ernestinovo.
- **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 is operated on behalf of MAVIR and HEP OPS.
- **Net Transfer Capacity ("NTC"):** the maximum exchange program between two control areas compatible with security standards ap-

plicable in both areas and taking into account the technical uncertainties on future network conditions.

- **Transfer:** the trading of the reservation of capacity purchased in the course of yearly and monthly auctions between market participants.
- **Working Day:** every day except for Saturdays, Sundays and any official holiday in Croatia as listed in Annex 1 attached to these Daily Auction Rules.

General Rules for the Auctioning of the Reservation of ATC on the MAVIR - HEP OPS Interconnection

The following provisions shall in general apply to daily auctions:

A)

Scope of the Auction Rules

1. 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 Auction Rules are construed in accordance with the regulations set out by European law, in particular by the EU-Regulation and Hungarian and Croatian law and by the Croatian and Hungarian Regulatory Authorities. In order to correspond with these legal requirements the auction covers the reservation of the ATC. The auctioning of the reservation of the ATC aims at providing a transparent method of congestion management.
2. This document contains the terms and conditions for the auctioning of the reservation of ATC at the Interconnection that is jointly offered by MAVIR and HEP OPS. MAVIR will carry out the auctions of the daily ATC both for the Croatian and for the Hungarian side.
3. Auctions for daily ATC for the year 2011 will be held in order to ensure that reservations of ATC will be valid for each side of the Interconnection. The auctions for the daily ATC will be held by MAVIR. The auctions for the daily ATC for the year 2011 will start on the 31st December 2010 with the publication of daily ATC for the 1st, 2nd and 3rd January 2011.
4. HEP OPS and MAVIR will fully accept the result of the individual auction procedures held by the other party provided these procedures are consistent with the terms and conditions of the Daily Auction Rules and will carry out the transmission services according to the respective auction results in compliance with the legal requirements of grid access, possible electricity import bans and applicable market rules.

5. The Daily Auction Rules only deal with the reservation of ATC at the Interconnection. The auction of the reservation of ATC and the financial settlement of the reservation of ATC purchased via an auction do not include energy transports or any rights, liabilities or financial aspects concerning energy transports, such as, but not limited to, transmission fees resulting from cross-border-tarification.

B)
General Provisions

6. The ATC 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 in a transparent and non-discriminatory way. The ATC is published according to the regulations set out in the Daily Auction Rules.
7. The daily ATC is offered for reservation by MAVIR through the use of the internet-based auction system "KAPAR" on the website of MAVIR www.mavir.hu . The document „KAPAR User's Guide" contains detailed rules for using the system "KAPAR". This document and the "Daily Auction Rules" are published on the website of MAVIR www.mavir.hu.
8. If these „KAPAR User's Guide" conflict with the "Daily Auction Rules", the "Daily Auction Rules" take priority.
9. Market participants will be informed in due time on the website of MAVIR www.mavir.hu and in the system KAPAR about the ATC for the reservation for the daily auction procedure.
10. The ATC and the purchased capacity can be curtailed in case of unexpected network conditions/emergency situation. In case of Curtailment of the Capacity HEP OPS and MAVIR will reduce the Capacity according to Annex 2 and will pay compensation in case of Curtailment of Allocated Capacity to the action participants with exception of Force majeure according to Annex 2.
11. Each purchase of reservation of daily capacity made pursuant to the Daily Auction Rules shall be deemed to constitute a contract

between MAVIR on the one hand and the Auction Participant on the other hand ("Contract"). With the purchase of reservation of capacity the Auction Participant assumes the rights and the duties set out in the Daily Auction Rules, especially the full payment of the Auction Price in due time.

12. Pursuant to applicable Croatian law HEP OPS may be forced to refuse demands for services of electricity transport if the transport endangers the system operation security.
13. Pursuant to applicable Hungarian law MAVIR may be forced to refuse demands for services of electricity transport if the transport endangers the safe operation or the balancing of the Hungarian power system.
14. If the Auction Participant does not fulfil or only partially fulfils any obligation resulting from the Contract in due time, especially if the Auction Participant does not pay the full Auction Price within the time limits set out in the Auction Rules, MAVIR is entitled either 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 or to withdraw from the Contract and hold the Auction Participant liable for the total damage resulting from the withdrawal, such as, but not limited to fees, including attorney's fees.
15. With the delivery of a bid the Auction Participant shall be obliged to pay the Auction Price for the reserved capacity, independent of the actual use and other transmission fees such as, but not limited to, transmission fees resulting from the cross-border-tarification. The Auction Participants shall not be entitled to offset and/or withhold any debts arising in connection with obligations resulting from an auction to any claims of HEP OPS and/or MAVIR, whether or not arising out of an auction.
16. Furthermore, with the delivery of a bid the Auction Participant accepts the auction regulations set out in the Auction Rules and submits to the Auction Rules without any reservation. If the Auction Participant does not submit to the Daily Auction Rules, the Auction Participant shall be expressly barred from the participation in the auc-

- tion process and the bids shall not be accepted by the Daily Auction Office.
17. By notification of the Auction result Auction Participant gains the guarantee of HEP OPS and MAVIR that by settlement of the payment in accordance with the Daily Auction Rules Capacity shall be allocated in accordance with notified Auction results with except of cases of Force majeure and Curtailment of guaranteed Capacity ("Allocated Capacity").
18. 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.
19. HEP OPS and MAVIR reserve the right to amend and/or adapt the Daily Auction Rules. The actual version of the Daily Auction Rules will be published on the website of HEP OPS www.hep.hr/ops and on the website of MAVIR www.mavir.hu minimum 15 days before coming into force. By the delivery of a bid after the amendments and/or the adaptations being published, the Auction Participant submits to the new version of the Daily Auction Rules.

C) Liability

20. HEP OPS and/or MAVIR shall only be liable for any damage caused by willful misconduct or gross negligence. Claims for damages arising out or related to the Daily Auction Rules and/or the Contract are limited to the damages typical and foreseeable, unless HEP OPS and/or MAVIR have acted wilfully or by gross negligence. In no event shall HEP OPS and/or MAVIR be liable for any loss of profit, loss of business, or any other damages of any kind. In any case the liability of HEP OPS and/or MAVIR for damages arising out or related to the Daily Auction Rules shall be limited to € 10.000,-- in total.

21. HEP OPS and MAVIR undertake to carry out the provisions set out in the Daily 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.
22. Liability for a breach of contract damaging life, physical well-being, or health that has been caused willfully, by gross negligence, or by a felony offense cannot be validly excluded.
23. Any contractual clause shall be null and void if it beforehand limits or excludes liability for damage proceeding from willful or gross negligence; injury to life, physical well-being, or health; or the consequences of a crime.

D)

General Requirements for Participating in the Auction Procedures

24. In any case the Auction Participant has to fulfil the following requirements:

For participating in the daily auction procedures Auction Participants have to fulfil the requirements set out in the Daily Auction Rules as well as in the document "KAPAR User's Guide" published on the website of MAVIR www.mavir.hu

With the delivery of the Registration Form 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 Daily Auction Rules, which are published at the website of the Auction Office (www.mavir.hu)
- he accepts and submits without any reservation/restriction to these actually applicable Daily 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 Daily 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.

E)

Transfer of Reserved Capacities purchased in the course of daily auctions

25. Reservations of capacities purchased in the course of daily auctions cannot be transferred.

F)

Exceptional circumstances

26. Exceptional circumstances shall be serious disturbance to the functioning of the IT System(s) or devices used by the Auction Operator(s)/Daily Auction Office.
Exceptional circumstances may be the reason for changing, cancelling or suspending an Auction. In case of exceptional circum-

stances, the Auction Operator/Daily Auction Office shall inform all Auction Participants via telephone, fax or e-mail of the cancellation of the relevant auction(s). The TSOs will also publish information on their Auction Websites, if available.

In cases where auctions are cancelled all Bids already submitted to the Capacity Auction System are deemed as invalid.

G) Miscellaneous

27. Notwithstanding special provisions set out in the Daily Auction Rules no modification of the Contract between MAVIR and 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 HEP OPS and/or MAVIR.

28. If any part or provision of the Daily 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.

H) Applicable Law, Dispute Resolution and Venue

29. These Auction Rules shall be governed by and construed in accordance with the laws of Hungary without recourse to Hungarian private international law as well as by EU law, particularly Directive 2003/54/EC (from 3 March 2011 Directive 2009/72/EC) and Regulation 1228/2003/EC (from 3 March 2011 Regulation 714/2009/EC). For the avoidance of doubt, the application of the UN Convention on the International Sale of Goods shall be excluded.

In the event of any dispute or differences arising from the Daily 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 Daily 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 the Daily 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 daily auctions, shall be the Arbitration Court organised by the Trade and Industrial Chamber 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 Daily Auction Rules and its Annexes shall be the registered seat of the Auction Office.

I)

Complaint Procedure

30. 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 "KAPAR" User examination procedure. The request must be delivered to the contacts of Auction Office by signed fax message or via registered mail, 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 10 days the Auction Participant may refer a complaint pursuant to the process de-

scribed in the Auction Rules to the relevant national Regulatory Authority according to Article 23, section 5 of the Directive 2003/54/EU, respectively according to Article 37, section 11 of the Directive 2009/72/EU as of 3 March 2011. 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, respectively in the Directive 2009/72/EU as of 3 March 2011.

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, section 5 of the Directive 2003/54/EU, respectively according to Article 37, section 11 of the Directive 2009/72/EU as of 3 March 2011 described in this Article does not affect the right of the Auction Participant set forth in Article G.

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

Specific Rules for the Daily Auction of the Reservation of Transmission Capacities for the year 2011 on the MAVIR - HEP OPS Transmission Border ("Daily Auction Rules")

The auction of the reservation of the daily ATC at interconnection points from HEP OPS and MAVIR in the year 2011 will be organized and executed electronically by MAVIR in user environment of the system "KAPAR".

The rules and regulations for the daily auctions are principally laid down in these Daily Auction Rules and specifically in the „KAPAR User's Guide" published on the website of MAVIR www.mavir.hu. All detailed instructions concerning the requirements for participating in the daily auction procedures and the handling of the system "KAPAR" are laid down in the „KAPAR User's Guide".

By accessing the daily auction the Auction Participant shall be obliged to accept the regulations set out in the Daily Auction Rules and in the „KAPAR User's Guide" published on the website of MAVIR www.mavir.hu without any reservation.

If the Auction Participant does not want to submit to the Daily Auction Rules and the „KAPAR User's Guide" the Auction Participant shall be expressly barred from the access to the daily auctions on HEP OPS /MAVIR interconnection.

With the entering of a bid into the daily auction the Auction Participant shall be obliged to pay the Auction Price for the reserved capacity, independent of the actual use and other transmission fees such as, but not limited to, transmission fees resulting from the cross-border-tarification. The Auction Participants shall not be entitled to offset and/or withhold any debts arising in connection with obligations resulting from an auction to any claims of HEP OPS and/or MAVIR, whether or not arising out of an auction.

HEP OPS and MAVIR reserve the right to change operationally a business day regime – i.e. time closures in reasonable cases in accordance with the „KAPAR User's Guide" especially in case of technical problems.

HEP OPS and MAVIR reserve the right to amend and/or adapt the Daily Auction Rules and MAVIR reserve the right to adapt the „KAPAR User's Guide". The actual version of the Daily Auction Rules will be published on the website of HEP OPS www.hep.hr/ops and on the website of MAVIR www.mavir.hu. The actual version of the „KAPAR User's Guide" will be published on the website of MAVIR www.mavir.hu. By accessing the daily auction after the amendments and/or adaptations being published, the Auction Participant submits to the valid version of the Daily Auction Rules and/or the „KAPAR User's Guide".

Daily auctions will be held from Monday to Friday with exception of days when no daily auction is held (Annex 1).

Separate auctions shall be held for the reservation of capacity in each of both directions.

ATC values are published at 09:00 AM (CET). Each legitimated Auction Participant shall deliver his bids in the period starting by ATC publication to 10:00 AM (CET) in the System "KAPAR". He must be prepared to pay these bids in addition to other transmission fees such as, but not limited to, transmission fees resulting from the cross-border-tarification.

The bids shall be binding until the end of the auction and cannot be modified after deadline for delivery (10:00 AM (CET)).

System "KAPAR"

The system "KAPAR" is an electronic web-based trade portal operated by MAVIR. The address of the website of KAPAR is <http://kapar.mavir.hu/> that is published on the website of MAVIR www.mavir.hu as well. HEP OPS and/or MAVIR shall not be liable for an uninterrupted provision of the system "KAPAR".

All issues concerning the daily auctions, such as, but not limited to, the security, technical and operational issues concerning the system "KAPAR" and the website of KAPAR, particularly the „KAPAR User's Guide" are developed by MAVIR. Therefore the execution and the administration of the daily auctions are totally in the responsibility of MAVIR. This means, that MAVIR takes full responsibility for the correct, non-discriminatory and transparent execution of the daily auctions and for the full compliance

with applicable national and European laws and/or regulatory requirements.

HEP OPS and/or MAVIR may suspend, on a preliminary or permanent basis, the internet-based auction system at any time.

If the system "KAPAR" and/or the website of "KAPAR" is interrupted and/or suspended the allocation of daily available capacities will be cancelled. All relevant users of the system "KAPAR" will be informed immediately of the interruption and/or suspension of the system "KAPAR" and/or the website of "KAPAR".

The whole communication with the system "KAPAR" will be archived. Each message from the system "KAPAR" is attached by a time stamp, both messages leaving the system "KAPAR" or messages received by the system "KAPAR". The time stamp used is the time system from the system "KAPAR".

In order to participate in the daily auction procedure, the Auction Participants shall fulfil the requirements set out in the Daily Auction Rules, the „KAPAR User's Guide" and particularly shall have access to the system "KAPAR" operated on the website in accordance with the rules set out in the „KAPAR User's Guide", which are published on the website of MAVIR www.mavir.hu.

Additionally the Auction Participants have to fulfil the rules set out for the use of reserved capacity.

Capacities

The daily ATC will be published and offered for reservation for each hour of a day for each transmission direction separately.

The auction of daily ATC of weekends and days listed in Annex 1 until and including the first following day will be held on the day which precedes weekends (Saturday, Sunday) and days listed in Annex 1.

The daily ATC for reservation via daily auctions will be published in the system "KAPAR" and on the website of MAVIR www.mavir.hu daily at 9:00 AM (CET) at the latest.

Bids for the Reservation of Capacity

In order to participate in the daily auction procedure, bids shall be submitted to the system "KAPAR" in accordance with the „KAPAR User's Guide" document.

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

1. Identification of the user,
2. Specification of the profile,
3. Specification of the transmission direction,
4. Day the bid refers to,
5. For each hour of the day the amount of the transmission capacity to be reserved in MW (natural numbers, maximal the published ATC in each hour.)
and
6. The value of the bid in EUR/MW (max. two decimals) in each hour - it has to be bigger than zero.

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

Bids specifying all the above mentioned data must be submitted, without any reservation, in the form set out in the „KAPAR User's Guide" document.

The Auction participant is entitled to submit up to 10 offers for one profile and one direction, independent from each other.

Bids, which do not fulfil the above mentioned requirements, will not be considered in the allocation procedure.

After entering the bids, the Auction participants receive a confirmation. In case of any failure the entering of the bids will be refused and the Auction Participant will be informed about the reasons for refusal.

Confirmation receipt of bids at the system "KAPAR" is the decisive criterion in meeting the time limit.

Auction Procedure for the Reservation of Capacity

All received bids are ordered by descending bid price. In case two or more delivered bids offer the same price per MW for the auctioned capacities, the earliest will take priority (the decisive criterion is the time stamp on the bid). Bids are met in that order until a bid exceeds ATC value in sum with all previous accepted bids.

If the total amount of requested reservation of capacity 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 capacity exceeds the available capacity for reservation, the price for the reservation of capacities shall be determined by the bid with the lowest price offer, accepted, even in an reduced amount, by MAVIR in the allocation process of the auctioned reservation of capacities ("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.

The following table, Figure 1, shows an example:

Auction no. 1		Max. Capacity:		100	HU-HR	Date:	10.1.2011	Hour:	1
bidder	amount	bid	time stamp	total					
	MW	EUR/MW	hh:mm:ss	MW					
				0					auctioned
a	10	1 000	09:10:03	10					10 MW
b	20	300	09:15:27	30					20 MW
c	50	250	09:02:14	80					50 MW
b	30	200	09:05:52	110	<i>reduced</i>				20 MW
a	50	200	09:17:08	160	<i>exceeded</i>				0 MW
d	30	150	09:08:03	190	<i>exceeded</i>				0 MW
e	20	100	09:10:28	210	<i>exceeded</i>				0 MW
e	20	90	09:16:34	230	<i>exceeded</i>				0 MW
a	30	80	09:35:01	260	<i>exceeded</i>				0 MW
b	110	70	09:49:58	370	<i>exceeded</i>				0 MW
f	20	100	10:10:03		<i>excluded</i>	gateclosure			

Figure 1: Daily Auctioning

In this example, the charge for auctioned daily reservation is determined at 200 EUR/MW. Bidding company "a" receives a total of 10 MW and has to pay 2000 EUR, "b" receives a total of 40 MW and has to pay 8000 EUR – second bid of the bidding company "b" is reduced, "c" receives a total of 50 MW and has to pay 10000 EUR.

In case all delivered bids offer the same price per MW for the auctioned capacities and the total request for the reservation of capacities is higher than the available capacity auctioned for reservation, the capacity will be allocated according to the principle "first come – first served". The decisive criterion is the time stamp of each bid.

Publication and Notification of the Results of an Auction

MAVIR will publish the final results of the daily auction procedure daily at 10:30 AM (CET) in the system "KAPAR" as follows:

- a) Date and Period of reservation,
- b) Specification of profile and direction,
- c) Amount of reserved transmission capacity for the Auction Participant for each hour in MW,
- d) Capacity Agreement Identification for ESS scheduling,
- e) Value of payment for the purchased reservation of capacity for each hour in EUR/MW.

Summary results (for each hour and direction the required capacity, allocated capacity, number of bid submitters, number of winners, Auction Price EUR/MW) will be published on the website of MAVIR www.mavir.hu at 10:30 AM (CET).

Use of Reserved Capacity

General grid access for the use of reserved (purchased) capacity is not covered by the scope of the Daily Auction Rules unless otherwise stipulated in the following provisions.

HEP OPS and MAVIR 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 HEP OPS and MAVIR.

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

The ATC and the purchased capacity can be reduced in case of unplanned network conditions. In case of reduction of the purchased capacity HEP OPS and MAVIR will reduce the purchased capacity proportionally and will refund the Auction Price proportionally to the Auction Participants with exception of *Force majeure*.

The use of reserved transmission capacities operates via the delivery of fixed and binding schedules to HEP OPS and MAVIR 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 reserved capacities are used on the basis of the schedules disposal respecting the principle 1:X.

The schedules for the following day and before weekends and before the days listed in Annex 1 for the following days until and including the next working day must be received by:

HEP OPS defined by the respective regulation of the valid Electricity Market Rules of the Croatian Electric Power System

MAVIR defined by the respective regulation of the valid Trade Code of the Hungarian Electric Power System

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 at the time will fall back to HEP OPS and MAVIR.

In the case, if the participants (from the respective pair 1:X) 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 reserved capacity a valid Contract governing the access to the Transmission System of Hungary in 2011 must be concluded with MAVIR before the use of reserved 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 reserved capacity a valid Contract governing the access to the Transmission System of Croatia in 2011 must be concluded with HEP OPS before the use of reserved capacity for transmission on HEP OPS side pursuant to effective version of Trade Code and legal regulations on electric energy in Croatia.

The payment determined in the auction covers only the right for reservation of the capacity at the bottleneck. Transmission fees, such as, but not limited to, transmission fees resulting from the cross-border-tarification, including all relevant and allowable charges, will be charged independent from the payment of the Auction Price.

Assignment (Transfer) of Reserved Capacities

Reservation of capacities purchased in the course of daily auctions cannot be transferred to other market participants.

Accounting, Loosing of Allocated Capacity and Exclusion of Participating in Daily Auction Procedures

The payment and accounting of the Auction Price will be handled by MAVIR.

The results of the daily capacity auctions are settled financially on half-month settlement periods (from 1st till 15th of the respective month and from 16th till end of the respective month) with the exception of the case when the value of the half-settlement period is less than 100 EUR. If the value of the half-settlement period exceeds 100 EUR MAVIR will issue invoice till 3 working days after the respective half-month period. If the value of reserved capacity is less than 100 EUR for the half-settlement period than the value of the daily reserved capacities for the respective month will be invoiced 3 working days after the respective month. MAVIR will send the issued invoice to the Auction Participant by post and a copy by fax. The Auction participant shall credit the invoiced payment to MAVIR onto its account stated on the invoice. The invoice will be mature within 8 working days of its issue date.

According to the European and Hungarian tax law value added tax will be charged to the payment and will be shown separately on the invoice. In case the Auction Participant declares its VAT registration in EU Member State the method of the "Reverse charge taxation" that EU enforced, is applied. In this mode the Auction Participant must provide MAVIR with its European VAT Number and is obliged to settle the VAT with the respective national tax office. MAVIR is entitled to make adjustments of the payment due to increases or introduction of taxes, duties, etc.

All bank fees have to be paid by the Auction Participant. The date of payment is the date upon which the given amount is credited to the stated account of the MAVIR. 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 the MAVIR).

If such a time limit expires on a bank holiday, payment is due on the following working day.

Transmission fees such as, but not limited to, transmission fees resulting from the cross-border-tarification, including all relevant and allowable charges, will be charged independently of the payment for congestion management.

In case of delayed payment MAVIR is entitled to charge default rates on a due amount for each commenced day of the delay. The default interest rate is calculated daily on the basis of yearly amount of the Effective Base Rate of MNB + 2%. Effective Base Rate is defined as the interest rate of National Bank of Hungary (Magyar Nemzeti Bank). Its value is specified and published (www.mnb.hu) by the National Bank of Hungary (Magyar Nemzeti Bank).

If the payment of summary invoice is not settled on the last day of the following month of the month of performance of daily capacity auctions HEP OPS and MAVIR will enforce the completion of the Contract and the Auction Participant shall be liable pursuant to the General Provisions set out in chapter B) of these Auction Rules.

Address

Daily Auction Office Address

- Operated by MAVIR via System "KAPAR"

KAPAR Operators

E-mail: published on the website of MAVIR

Tel: published on the website of MAVIR

Fax: published on the website of MAVIR

Annex 1

Holidays 2011 in Croatia

Date:	Description:
01.01.2011. (Saturday)	New Year's Day
06.01.2011. (Thursday)	Epiphany
24.04.2011. (Sunday)	Easter Sunday
25.04.2011. (Monday)	Easter Monday
01.05.2011. (Sunday)	Labour Day
03.06.2011. (Friday)	Corpus Christi
22.06.2011. (Wednesday)	Anti-Fascist Struggle Day
25.06.2011. (Saturday)	National Day
05.08.2011. (Friday)	Victory and Homeland Thanksgiving Day
15.08.2011. (Monday)	Assumption Day
08.10.2011. (Saturday)	Independence Day
01.11.2011. (Tuesday)	All Saints' Day
25.12.2011. (Sunday)	Christmas Day
26.12.2011. (Monday)	St. Stephen's Day

Capacity Curtailment

In cases of capacity Curtailment following priority order is used:

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

* see specific auction rules for yearly and monthly auctions

Within each of the above listed groups of *Capacities* there will be used proportional curtailment of capacity
Auction Participants who have *Allocated Capacity* shall be compensated as follows:

Compensation for Capacity Curtailment

Compensation price for Curtailment of the *Allocated Capacity* for given hour and direction is determined in compliance with following procedure:

$$\text{PriceD} = \frac{\text{Auction Price (Day auction, direction)}}{\text{T}}$$

Note: T is number of hours of period of reservation.

In the case of Curtailment of the *Allocated Capacity* each *Auction Participant* whose *Allocated Capacity* have been curtailed shall be compensated by PriceD (for capacity gained in the daily auction) for each MW and each hour of the *Capacity* which have not been available.

HEP OPS and MAVIR shall inform immediately each *Auction Participant* whose *Allocated Capacity* is curtailed about such case and by the 5th calendar day of the month following MAVIR shall notify him the evaluation of compensation amount.

HEP OPS and MAVIR shall pay the compensation in an evaluated and notified amount to Auction Participant based on invoice.

In the case of *Force Majeure* the Auction Participant has no right to get any compensation.



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Registration form for participation in daily auctions

Company:	
Name of representative:	
Domicile:	
Correspondence address:	
Commercial/company register No.:	
VAT No. * (if available):	
Bank:	
Bank account number: (IBAN)	EUR: HUF:
BRP name and EIC-Code:	
Contact person:	
Name:	
Telephone:	
Fax:	
E-mail:	
Cross-border section:	
	<input type="checkbox"/>-Hungary
	<input type="checkbox"/>-Hungary
	<input type="checkbox"/>-Hungary
	<input type="checkbox"/>-Hungary

*) EU Value Added Tax number according to Directive 2003/92/EC
Comment: All rows of the table is obligatory to fill in!

With the delivery of this validly-signed Registration Form, the company identified in table above (hereinafter Auction Participant) declares that it has full and complete knowledge of the valid Daily Auction Rules regarding the above specified cross-border section, which are published at the website of the MAVIR Zrt. www.mavir.hu, and that it accepts them in a manner legally binding and irrevocable. As even so fulfilling the general requirements for participating in the auction procedures on the specified cross-border section.

Auction Participant accepts that daily auctions are held in web-based auction system KAPAR, and accordingly the results of the auctions and the the specification of the obtained capacity allocation rights are also communicated within the KAPAR system.

Therefore accession to the Capacity Auction System (KAPAR) is an essential requirement for participating in auction procedures. Accession to KAPAR shall be requested and modified by downloading from MAVIR Hungarian Transmission System Operator Company web-page and sending to KAPAR Operator the "User setup/modification request form" which is an attachment of KAPAR Operation Rules.

Confirmation of the Registration Form by MAVIR Zrt. proceeding to the undersigning of the Registration Form by the Auction Participant constitutes a contract concluded between MAVIR Zrt. and Auction Participant in the subject of participation in the daily capacity auction regarding the specified cross-border section. Term sheet of the contract as well as the rights and duties of the parties are defined in the Auction Rules of the daily auctions of the specified cross border section's capacities, and in the respective chapter of the Business Code of MAVIR about the cross-border capacity usage agreement. The Auction Rules is an attachment of the prevailing Commercial Code of the Hungarian Electricity System.

The above contract comes into force on the date of the registering of the Auction Participant by MAVIR. MAVIR Zrt. registers the Auction Participant concurrently with the confirmation of the registration. This registration entitles the Auction Participant to take part in Daily Capacity Auctions regarding the cross-border section(s) specified above from the date of registration. Registration is valid until recall by MAVIR. Recall of registration automatically terminates the contract.

In case of rejection MAVIR Hungarian Transmission System Operator Company is obliged to notify the applicant (Auction Participant) in writing with the explanation of the decision.

The Auction Participant is obliged to inform the MAVIR Hungarian Transmission System Operator Company forthwith of any changes in data requested to fill out in the registration form and of any changes in its adequacy to the requirements of participation in auctioning process regarding the specified cross-border section.

The Auction Entity declares that the Registration Form contains complete and true information.

Date:

Signature

MAVIR Hungarian Transmission System Operator Company, as the Operator of Auctions approves the above-mentioned registration form, and registers the contract concluded herewith between MAVIR Zrt. and Auction Participant under registration number:/20.....-HKL

Date:

Signature