

CONGESTION MANAGEMENT PROCEDURES

Pursuant to the points 2.2.2., 2.2.4., 2.2.5. of Annex I to Regulation (EC) No 715/2009, which applies to all entry and exit cross-border points as of 1 October 2013

1. Oversubscription and buy-back scheme

Oversubscription:

Oversubscription is defined as additional firm transmission capacity offered on the day-ahead basis in addition to technical capacity at the cross-border point based on dynamic recalculation of capacity and consideration of the risk of actual use of technical capacity at particular cross-border point. This is one-day offer, offered only, if technical capacity at particular cross-border point is fully booked out.

Such firm capacity increase will take place at 18:00 D-1 to allow the shippers to have enough time until 19:00 D-1 to book the capacity in the allocation regime FCFS (first come, first serve). This increase will be posted on the TSO's website allowing shippers to learn of such change. In the system the tag "oversubscription" automatically appears when capacity is increased, so that it is evident for the shippers that the given capacity is offered in this mode. The possibility of repeated increases will not be allowed. Subsequent nominations and re-nominations will take place according to the Network Code.

When offering additional firm capacity in addition to technical capacity, the prices for firm capacity according to ERÚ price decision will be applied.

Buy-back:

If transmission system operator (hereinafter "TSO") sells additional capacity beyond technical capacity using oversubscription mechanism and if the risk of being unable to transmit potential full amount nominated by shippers appears, the buyback mechanism is activated allowing shippers to offer their capacity to TSO. The capacity in question is bought back in electronic auction.

This buy-back mechanism will be always activated from 19:00 D-1 until 03:00 D, when there is a risk that TSO is unable to transmit full nominated amount. An e-mail will be automatically sent to all shippers who have capacity booked at the particular point, informing them about the buy-back.

The electronic buy-back auction where shippers may offer their capacities will be launched. The shippers will enter there the type of contract under which they intend to offer the capacity and the requested price in CZK/MWh, to the maximum of 1.5 times the daily capacity price specified in ERÚ price decision.

The offered capacity will be bought back by TSO only to the extent strictly necessary to ensure transmission. The buy-back auction will always start on the hour after the first

possible re-nomination (i.e. 20:00 D-1), and the last possible buy-back auction can be held at 03:00 D. Electronic auction will last 20 minutes and will be evaluated in the subsequent 5 minutes. Participants' bids will be ranked according to their price. First, the shippers with the lowest price will be satisfied until total amount of capacity required for the TSO is achieved. The shipper's offer may be accepted just partially. If the amount of offered price is the same, the time when the bids are submitted shall be taken into account when ranking the bids (FCFS). The TSO will pay the price offered by shippers in the auction.

Shipper whose bid was accepted in the buy-back auction will have its nomination automatically adjusted so that it does not exceed the remaining firm capacity booked by the shipper at the particular point.

In case that buy-back mechanism fails mainly because shippers are not willing to sell their firm capacity and the TSO thus cannot transmit the full amount, firm capacity and nominations of those shippers who booked their capacity in the oversubscription mode will be reduced on a pro-rata basis. The pro-rata weight is the sum of shipper's booked capacity on the particular point in the over-subscription mode divided by the sum of total booked capacity in the over-subscription mode on the particular point. For this reduction capacity fee corresponding to the amount of reduced capacity will be refunded to the shipper.

Additional revenues for capacity offered in addition to technical capacity will not be counted into the correction of allowed revenues as a result of the financial risk taken by the TSO.

2. Surrender of contracted capacity

This measure applies to contracts longer than one day (i.e. monthly and yearly).

A shipper interested in surrendering capacity because it does not use this capacity will be able to offer its unused capacity to be allocated to another system via the TSO's website. The *booking window* for the capacity that the shipper wants to surrender for month M will be opened until 08:00 the last day of M-1. The following information will be posted on TSO's website by the shipper: the given amount of capacity to be surrendered, type of product, the contract to which such surrender applies and the period during which the amount of capacity will be re-allocated.

The surrendered capacity will be reflected as increase of offered available capacity and its re-allocation will take place within the standard process of capacity allocation, but only after the allocation of all primary capacity had been sold. It will be kept separately in the system and tagged as "surrender". If another shipper is interested in booking the surrendered capacity, a standard booking will take place (booking of daily capacity will also be possible). The original capacity holder will be notified by TSO about the allocation of the surrendered capacity to a new capacity holder. The rights and obligations (imbalances, nominations, payment) associated with the capacity surrendered by the original capacity holder will be newly borne by the new capacity holder. Until such capacity is purchased, the rights and obligations (imbalances, nominations, payment) associated with the capacity will be borne by the

original capacity holder, however this capacity will be available to the original capacity holder in a regime similar to the interruptible capacity. Therefore, the original capacity holder must take into account that the surrendered capacity may be re-allocated any time, even day-ahead.

The new capacity holder to whom the capacity is re-allocated will pay to TSO for the given capacity price according to the ERÚ price decision. Even if the former contract was a one-year contract and only one month is re-allocated, the new capacity holder will pay price of monthly contract, i.e. more expensive.

The payment of original capacity holder will be decrease by the price of surrendered and re-allocated capacity under the terms of its original contract.

3. Long-term use-it-or-lose-it mechanism (LTUIOLI)

The mechanism applies to contracts longer than one year. The reference period is last 12 calendar months before 1st October or 1st April of the given year (the evaluation always takes place once in six months).

Terms for launching of the LTUIOLI mechanism which have to be met cumulatively within the reference period:

- a) A requirement for purchase of firm capacity rejected because of lack of available capacity was recorded at the given point;
- b) a system user used its booked capacity at the given point under 80 % without proper justification; both for period of 1st October – 31st March and for period of 1st April – 30th September;
- c) a system user who met the requirement of point b) neither surrendered this unused capacity according to the "surrender" mechanism, nor offered it on the secondary capacity market organized by the TSO.

TSO will establish a public bulletin board posted on its website where there is information relating to requests for reservation rejected because of lack of available capacity will be available. There will be following information about rejected requests in the bulletin board: date of submission of the request, amount of requested capacity, requested duration of the capacity booking. The data will be updated once a month.

Procedure of application of LTUIOLI mechanism

1. If within the reference period no capacity request rejected because of lack of available capacity appears, the LTUIOLI mechanism will not apply.

2. If within the reference period at least one capacity request rejected because of lack of available capacity appears, and at least one of the shippers has utilization of its booked capacity under 80 % in both halves of the reference period the TSO informs ERÚ about this fact; ERÚ subsequently carries out the check of the conditions under point b) and c) on the basis of information provided to ERÚ by TSO for this purpose aiming the capacity holders at the given point whose transmission contracts are longer than one year.
 - i. If the condition of point b) is met, ERÚ investigates the justification of low utilization of the capacity and the condition of point c). If the condition of point c) is met, ERÚ notifies the concerned capacity holder that its capacity could be removed in line with the LTUIOLI mechanism and about the maximum amount and duration of capacity removal, and simultaneously calls the capacity holder to provide justification within a reasonable time.
 - ii. If proper justification is not provided within given time, ERÚ decides to remove the capacity, the amount of the capacity to be removed and length of the period of removal. ERÚ notifies this decision to the concerned capacity holder and in the same time ERÚ gives TSO instruction to remove the capacity from the shipper. This instruction shall be given at the latest one month before the start of the time period when capacity is removed.
3. The capacity of the original capacity holder may be removed only up to 50 % of its unused capacity based on transmission contracts longer than one year.
4. The removed capacity shall be offered by TSO as available capacity in the same way as capacity offered in the “surrender” mechanism.
5. The capacity is removed at the moment of re-allocation of this capacity to another shipper. In the period between ERÚ’s decision and removal of the capacity the original capacity holder does not lose its right and obligations associated with the capacity; however this capacity will be available to the original capacity holder in a regime similar to the interruptible capacity. Therefore, the original capacity holder shall take into account that the capacity may be re-allocated at any time, even day-ahead.
6. The removed capacity used by the new capacity holder shall be charged according to the price decision of ERÚ. If the original transmission contract is yearly and e.g. only one month is re-allocated, the new capacity holder will pay price of monthly transmission contract, i.e. more expensive. The original capacity holder in case of capacity removal will not pay the price for removed capacity according to the original contract.

The method of keeping records of capacity utilization in the TSO’s system for the purpose of LTUIOLI:

The TSO shall in its system keep records of nominations of the shippers in the reference period and subsequently the utilization of capacities is automatically evaluated using a pre-set algorithm.

The documentation concerning utilization of capacity which is evaluated by the system as under 80 %, shall be reported by the TSO to the ERÚ after the reference period (ie.

during October or April). In the same time the TSO informs ERÚ if and to what extent the condition of the point c) is met by the affected capacity holders.

When evaluating the utilization of capacity, a nomination for the given day will first be allocated to all valid long-term contracts, then standard contracts exceeding 12 months including, then standard contracts shorter than 12 months, then to one-day, day-ahead and intraday contracts.

The keeping of records of capacity utilization will be launched in October 2014. The evaluation of capacity utilization shall be carried out once in six months for the reference period of previous 12 months. The first evaluation will take place in October 2014 for the previous reference period (i.e. October 2013 – September 2014). First capacity removal using LTUIOLI mechanism may be performed in December 2014 (assuming 1 month for evaluation of capacity utilization and for ERÚ's decision of and one additional month for term according to point 3.2.ii. above). The second evaluation will take place in April 2015 for the previous reference period (i.e. April 2014 – March 2015), etc.