



ЈАВНО ПРЕДУЗЕЋЕ  
ЕЛЕКТРОМРЕЖА СРБИЈЕ

***JP “ELEKTROMREŽA SRBIJE”***

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**Rules for Allocation of Available Cross-Border Transfer Capacity  
on Borders of Control Area of Republic of Serbia  
and Balancing of Market Participants Schedules  
from January 1, 2009 until December 31, 2009**

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## 1. Introduction

These Rules specify the procedures for the allocation of rights to use cross-border transfer capacities between the control area of the Republic of Serbia and neighboring control areas, the implementation of the allocated rights and balancing of the market participants schedules. The Rules shall be valid from January 1, 2009 to December 31, 2009 and applied until the Market Code is adopted.

JP “Elektromreža Srbije” (hereinafter: JP EMS), as the transmission system and market operator in the Republic of Serbia is in charge for the determination of the values for the cross-border transfer capacities and their harmonization with the neighboring transmission system operators, for the implementation of the procedure for the allocation of rights to use cross-border transfer capacities between the control area of the Republic of Serbia and neighboring control areas (hereinafter: allocation procedure) and balancing of the electric power system of the Republic of Serbia.

All relevant information about the allocation procedures and time schedules related to certain phases of the allocation procedure are published and can be found on the JP EMS web site ([www.ems.rs](http://www.ems.rs)) so that all market participants may participate under transparent and non-discriminatory conditions.

JP EMS shall have the right to supplement and/or change the “Rules for Allocation of Available Cross-Border Transfer Capacity on the Borders of Control Area of the Republic of Serbia and Balancing of Market Participants Schedules from January 1, 2009 until December 31, 2009” (hereinafter: the Rules). The current version of the Rules and the precise dates of the allocation procedures will be published on the JP EMS web site, not later than 7 days prior to the commencement of their application.

After the Rules supplements/changes become applicable, each electricity market participant is obliged to follow strictly the version of the Rules in effect, after they are published on the JP EMS web site.

## 2. Abbreviations and definitions

**Total Transfer Capacity (TTC)** – maximum exchange program between the control areas complying with the operation security standards in both systems on the basis of available information about the future network operation, generation and consumption.

**Transmission Reliability Margin (TRM)** – a part of the cross-border transfer capacity necessary for the reliable transmission system operation due to the uncertainty of the conditions for the scheduled transmission system operation. These uncertainties are primarily the result of the operation of the secondary regulation, need for emergency electricity exchange and deviations in the real-time operation from the scheduled operation. Neighboring transmission system operators jointly agree about the TRM value.

**Net Transfer Capacity (NTC)** – maximum total exchange program between two neighboring control areas harmonized with the security standards applied in all control areas of the synchronous area, taking into account the technical uncertainties of the future network conditions. It is calculated as follows:

$$NTC = TTC - TRM$$

**Already Allocated Capacity (AAC)** – entire transfer capacity which is appropriately allocated to the electricity market participants by the transmission system operator or market operator.

**Available Transmission Capacity (ATC)** – the difference between the net transfer capacity and already allocated capacity to the market participants. It is calculated as follows:

$$ATC = NTC - AAC$$

**Market Participant** – a legal entity to which the Energy Agency of the Republic of Serbia has issued the license to perform the energy activities – electricity trading at the electricity market or electricity

trading for the purpose of the supply of tariff customers, and which has the right to participate in the ATC auctions and right to nominate schedules for the cross-border and internal exchanges.

**Auction Participant** – the market participant who submitted the request for allocation of the right to use capacity, under the condition that it has previously concluded with JP EMS the Contract on the right to use cross-border transfer capacity at borders of control area of the Republic of Serbia and on balancing of schedules, for the period from 01/01/2009 – 31/12/2009.

**Auction Period** – the period to which the allocation of transfer capacity applies. It may be a year, a month, a period within a month, a week or a period within a week.

**Auction Bid** – is a pair of capacity - price (MW - EUR/(MWh) for which an auction participant bids.

**Interconnection link** – transmission line/group of transmission lines between the power system of the Republic of Serbia and any neighboring power system interconnecting the transmission system control area of the Republic of Serbia with a control area of a neighboring country.

**Congestion** – identified overload of transmission network elements or non-fulfillment of N-1 security criteria in load flow analysis for the planned system operation conditions or in real time.

**Cross-Border Electricity Exchange** – electricity exchange performed by the market participants between the control areas of neighboring transmission system operators.

**Internal Electricity Exchange** – electricity exchange between the market participants inside the control area of the transmission system operator.

**Control Area** – the constituent part of the interconnected UCTE system controlled by one transmission system operator.

**Allocated Capacity** – the capacity (MW) allocated to a participant in an auction and which may be used for the realization of cross-border exchanges, after fulfilling the financial obligations towards JP EMS.

**Transfer of Capacity** – the transfer of rights to use capacity from the participant to whom the right was allocated in the auction procedures to another participant.

**Capacity Right Holder** – the auction participant to whom the capacity was allocated or a participant to whom the capacity right was transferred.

**The planned number of hours of possible use of allocated capacity** – maximum number of hours within auction period when it is possible to accomplish the right to use the cross-border capacity.

**“In-party“** – market participant which declares to JP EMS the cross-border transactions for the direction of electricity “import” (cross-border transactions for direction from the neighboring control area towards Serbia).

**“Out-party“** – market participant which declares to JP EMS the cross-border transactions for the direction of electricity “export” (cross-border transactions for direction from Serbia towards a neighboring control area).

**ETSO (“European Transmission System Operators”)** – the international association of the European transmission system operators.

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

**JP EMS**– The Public Enterprise for electricity transmission and transmission system operation “Elektromreža Srbije”, with the registered office in Belgrade, Kneza Miloša 11, account no. 160-8905-36, tax identification no. 103921661.

### **3. Documents and Forms**

The JP EMS web site contains the following documents and forms:

- Form of Application for participation on electricity market,
- Model of the Contract on the right to use cross-border transfer capacity at borders of control area of the Republic of Serbia and on balancing of schedules, for the period from 01/01/2009 – 31/12/2009,
- List of the market participants eligible to take part in auctions and nominate their schedules,
- Allocation procedure calendar,
- Tables with values for TTC, TRM, NTC, AAC and ATC,
- Operational guidelines for submission of requests for allocation of right to use cross-border capacities on borders of control area of the Republic of Serbia and take over of the results after completed auctions,
- Table with auction results,
- Form of Request to access DAMAS system,
- Form of Request for transfer of capacity,
- Form of Statement on take over of the right to use cross-border capacity allocated by neighboring transmission system operator,
- Form of Confirmation for executed compulsive balancing of schedule.

### **4. Determination of ATC**

The available transfer capacity (ATC) at the borders of the Republic of Serbia control area is determined together with the transmission system operators from the neighboring countries fully in compliance with the recommendations and rules of the international organizations (UCTE, ETSO) and Transmission Grid Code.

The ATC values are determined separately for each border and each direction at that border and they cannot be summed up, namely they cannot be cancelled (i.e. “netting” of transfer capacities is not allowed).

The ATC values are determined for the following borders: Serbia – Hungary, Serbia – Romania, Serbia – Bulgaria, Serbia – Macedonia, Serbia – Albania, Serbia – Montenegro, Serbia – Bosnia and Herzegovina and Serbia – Croatia.

JP EMS may allocate in advance as a priority (as AAC) a part of or the entire transfer capacity which is available to it at any border and for any direction for the purpose of supplying the tariff consumers in the Republic of Serbia, i.e. accomplishment of the Energy balance of the Republic of Serbia which is adopted by the Government of the Republic of Serbia.

### **5. Description of allocation procedures**

#### **5.1. Allocation methods for rights to use ATC**

JP EMS organizes the allocation of available transfer capacities (ATC) at yearly, monthly and weekly levels. For its part of the transfer capacity (ATC available to JP EMS), JP EMS applies the market

method of explicit auctions with “pay as bid” payment method. The auction is implemented independently for each border and direction.

Yearly auctions for right to use ATC in 2009 are organized at the following borders (both directions):

- Serbia – Hungary,
- Serbia – Macedonia,
- Serbia – Albania,
- Serbia – Bosnia and Herzegovina,
- Serbia – Croatia.

Yearly values of ATC at the above stated borders for 2009 will be published not later than November 15, 2008 and yearly auctions will be organized for all stated borders not later than November 30, 2008. The exact dates and all relevant information regarding ATC yearly auctions will be published on the JP EMS web site.

The right to use cross-border transfer capacity allocated in the yearly allocation procedure will be applied from 00:00 hours (Central European Time) on January 1, 2009 until 24:00 hours (Central European Time) on December 31, 2009.

Monthly auctions for right to use ATC for certain months in 2009 are organized at the following borders (both directions):

- Serbia – Hungary,
- Serbia – Romania,
- Serbia – Bulgaria,
- Serbia – Macedonia,
- Serbia – Albania,
- Serbia – Montenegro,
- Serbia – Bosnia and Herzegovina,
- Serbia – Croatia.

ATC monthly values for the month M will be published not later than the 12<sup>th</sup> day of the month M-1, and monthly auctions for the month M are simultaneously organized for all stated borders not later than 15<sup>th</sup> day of the month M-1. The exact dates and all relevant information regarding ATC monthly auctions will be published on JP EMS web site.

For monthly auctions, if at one border and direction, there are several time periods with different ATC values, an independent auction is organized for each period, for the ATC value concerned, and a separate request for allocation of capacity is submitted.

The right to use the cross-border transfer capacities allocated in a monthly allocation procedure will be applied from 00:00 hours (Central European Time) of the first day until 24:00 hours (Central European Time) of the last day of the period concerned which will be published in the table of ATC values for the month in question.

ATC weekly values for the week W will be published at latest 6 days prior to the beginning of the week W. Weekly auctions for the week W are simultaneously organized for all borders for which ATC weekly value is published, one day after its publishing. One week comprises in maximum extent the period from Monday (00:00 hours Central European Time) till Sunday (24:00 hours Central European Time). The exact dates and all relevant information regarding ATC weekly auctions will be published on JP EMS web site.

The right to use the cross-border transfer capacities allocated in a weekly allocation procedure will be applied from 00:00 hours (Central European Time) of the first day until 24:00 hours (Central European

Time) of the last day of the period concerned which will be published in the table of ATC values for the week in question.

Technical identifiers for borders and directions are as follows:

HURS - from Hungary to Serbia  
RSHU - from Serbia to Hungary

RORS - from Romania to Serbia  
RSRO - from Serbia to Romania

BGRS - from Bulgaria to Serbia  
RSBG - from Serbia to Bulgaria

MKRS - from Macedonia to Serbia  
RSMK - from Serbia to Macedonia

ALRS - from Albania to Serbia  
RSAL - from Serbia to Albania

MERS - from Montenegro to Serbia  
RSME - from Serbia to Montenegro

BARS - from Bosnia and Herzegovina to Serbia  
RSBA - from Serbia to Bosnia and Herzegovina

HRRS - from Croatia to Serbia  
RSHR - from Serbia to Croatia

## **5.2. Terms for participation in auctions for 2009 and liabilities of auction participants**

The main condition to participate in yearly, monthly and weekly auctions in 2009 is that a market participant owns a valid license for electricity trading at the electricity market in the Republic of Serbia or the license for electricity trading for the purpose of the supply of tariff customers in the Republic of Serbia issued by the Energy Agency of the Republic of Serbia (hereinafter: the License), as well as that there are not any financial obligations towards JP EMS which remained unsettled.

The market participants who until November 3, 2008 concluded with JP EMS the Contract on right to use cross border transfer capacities on interconnection links of the Republic of Serbia for the period 01/01/2008 at 00:00 h until 31/12/2008 at 24:00 h (hereinafter: the existing market participants) have submitted the License to JP EMS in the course of the conclusion of this Contract and they need not submit it again.

The market participants wishing to participate in 2009 auctions and who until November 3, 2008, have not concluded the Contract on the right to use cross border transfer capacities on interconnection links of the Republic of Serbia for the period 01/01/2008 at 00:00 h until 31/12/2008 at 24:00 h (hereinafter: the new market participants) are obliged to furnish to JP EMS (fax no. +381 11 3970 695) a copy of the License and Resolution on issuing the License:

- not later than at 12.00 hours (Central European Time) on November 7, 2008, if they wish to participate in the yearly auction for 2009,
- not later than the 1<sup>st</sup> calendar day of month M-1, if they wish to participate in the monthly auction for the month M and weekly auctions for the weeks within the month M.

All market participants (both the existing and new ones), who wish to participate in the auctions, i.e. to nominate the schedules in 2009 are obliged to fill in and send to JP EMS (fax no. +381 11 3970 695)

“Application for participation on electricity market“ (hereinafter: the Application). Form of the Application may be downloaded from the JP EMS web site. The Application shall be submitted on the company official letterhead and besides all the required data, it shall contain the name of the authorized person, its title, signature, company seal and archive number. JP EMS will reject as incomplete or improper all the applications without the above mentioned data or with the changed contents of the published forms. The applications shall be sent in original text form published on the web site, in the Serbian language and in Cyrillic letter. Otherwise the Application will be considered as incorrect and JP EMS will consider it as invalid.

To participate in the yearly auctions for 2009, the market participants are obliged to send the Application to JP EMS not later than November 12, 2008. To participate in the ATC monthly and weekly auctions for 2009, the participants are obliged to submit the Application not later than the 3<sup>rd</sup> calendar day of month M-1, if they wish to participate in the monthly auction for the month M and weekly auctions for the weeks within the month M. Once submitted, the Application will be valid for the whole year 2009, so that market participants who submitted the Application to JP EMS for the yearly auctions need not submit it again for the participation in the monthly and weekly auctions. In case of any amendment of data which are entered in the Application, the participant shall immediately notify JP EMS thereof and submit the updated Application.

If there is a need to supplement or correct the submitted Application JP EMS will notify the market participant thereof in writing not later than 3 working days after the receipt of the Application. If JP EMS asserts that the participant for 2009 yearly ATC auction submitted the Application which is complete and correct, JP EMS will not later than November 14, 2008 furnish to it the Contract on the right to use cross-border transfer capacity at borders of control area of the Republic of Serbia and on balancing of schedules, for the period from 01/01/2009 – 31/12/2009 (hereinafter: the Contract). The Contract will be furnished to the participants in the monthly and weekly auctions during 2009 not later than the 7<sup>th</sup> calendar day of month M-1, for the participation in the monthly and weekly auctions starting from the month M. The Contract also relates both to the yearly, monthly and weekly auctions in 2009. The Contract is made as a template (the same for all participants), and model of the Contract is published on the web site of JP EMS.

Market participants are obliged to sign the Contract and send it to JP EMS by fax no. +381 11 3970 695 not later than November 20, 2008 for the participation in the auction for the year 2009, namely not later than the 10<sup>th</sup> calendar day of the month M-1 for the participation in the monthly and weekly auctions starting from the month M. If a participant fails to sign the Contract and send it by fax until the stipulated term, it will not be entitled to participate in the auctions. The signed Contract shall contain the name of the authorized person, its title, signature and company seal. After that, within the shortest time (not later than December 1, 2008 for the participation in the yearly auctions for 2009, namely not later than the last calendar day of the month M-1 for the participation in the monthly and weekly auctions starting from the month M), it is necessary to submit to JP EMS five originals of the Contract, also filled in and signed as stated above. After that the authorized representatives of JP EMS will sign all five copies of the Contract and send back two copies to the participant. The Contract is signed for the whole period to which these Rules are applied, namely for the whole calendar year 2009.

The submitted originals of the Contract are the precondition for the use of the right to capacity allocated to the participant in the yearly, i.e. monthly ATC auctions.

For those market participants who signed the Contract with JP EMS before introducing weekly auctions (till January 19, 2009), the condition for participation in the weekly auctions is to conclude Annex No. 1 to the Contract with JP EMS. JP EMS will at latest till January 20, 2009 send Annex No. 1 to the Contract to all market participants with whom the Contract was concluded.

Market participants are obliged to sign the Annex No. 1 to the Contract and send it to JP EMS by fax no. +381 11 3970 695 not later than Monday in the week W-1 for the participation in the weekly auctions starting from the week W. The signed Annex No. 1 to Contract shall contain the name of the authorized

person, its title, signature and company seal. After that, within the shortest time, it is necessary to submit to JP EMS five originals of the Contract, also filled in and signed as stated above. After that the authorized representatives of JP EMS will sign all five copies of the Annex No. 1 to the Contract and send back two copies to the participant.

After the executed yearly ATC auctions for 2009 and after each monthly ATC auction during 2009, the auction participants are obliged to conclude with JP EMS the corresponding Annexes to the Contract on a monthly level.

All participants in the yearly ATC auction for 2009 who were allocated the cross-border transfer capacity shall conclude a separate Annex to the Contract for each month. This Annex is designated as G/m – 2009 (where “m” marks the sequence number of the month for which the right to use the capacity is accomplished) and among other things, it also contains the planned number of hours of possible use of the allocated capacity in that month. All participants in the yearly ATC auctions for 2009 who were not allocated the cross-border capacity at any border will conclude only one Annex to the Contract designed as G/1 – 2009.

The participants in the monthly auctions for 2009 will also conclude a separate Annex to the Contract for each monthly auction designed as M/m – 2009 (where “m” marks the sequence number of the month for which the right to use of the capacity is accomplished).

After the executed weekly ATC auctions within 2009, the auction participants are obliged to conclude with JP EMS the corresponding Annexes to the Contract on a weekly level.

All participants in the weekly ATC auction within 2009 who were allocated the cross-border transfer capacity shall conclude a separate Annex to the Contract for each week. This Annex is designated as S/m-s – 2009 (where “m” marks the sequence number of the month and “s” marks the sequence number of the week for which the right to use the capacity is accomplished) and among other things, it also contains the planned number of hours of possible use of the allocated capacity in that week.

The Annexes to the Contract (both for yearly, monthly and weekly auctions) are concluded after the auctions results are published, but prior to the beginning of the real use of the right to capacity, according to the deadlines published on JP EMS web site. The Annexes to the Contract signed by the participant are first sent to JP EMS via fax no. +381 11 3970 695 and they shall contain the name of the authorized person, its title, signature and company seal. After that, within the shortest time it is necessary to submit to JP EMS five originals of each Annex to the Contract (also completed as stated above). After that the authorized representatives of JP EMS will sign all five originals of each Annex to the Contract and two copies will be furnished to the participant.

If a participant fails to sign the annexes to the Contract and send them via fax within the deadlines published on web site of JP EMS, it will lose the right to use the allocated capacity and its participation in the allocation procedure for the following month and the following weeks will be suspended. The submitted and signed originals of the Annexes to the Contract are the precondition for the use of the right to capacity.

The market participants with any debts or any unsettled financial obligations towards JP EMS shall not be allowed to participate in the allocation procedure.

The market participants in compliance with the JP EMS and UCTE rules relating to the nomination and harmonization of exchange schedules, without permanently available operation staff in charge for exchange schedules (24 hours, 365 days of a year), as well as all participants who fail to comply fully with the Allocation Procedure described in the Rules shall be deprived of the right to use the allocated capacities in the current month and they shall not be allowed to participate in the allocation procedure for the following month and the following weeks.

The participants in the yearly auctions accept that the reserved cross-border capacity allocated in the course of the yearly auctions for 2009 is not guaranteed and that the market participant will not be able to use the allocated cross-border transfer capacity during a certain period of time because of the planned yearly disconnections of interconnection transmission lines due to the regular annual overhauls or maintenance.

The market participants accept in advance that the reserved cross-border capacity allocated in the yearly, monthly and/or weekly auctions is not guaranteed and that the auction participant cannot accomplish its right to the cross-border transfer capacity in the event of force majeure or unforeseen extraordinary situations in the network, as well as in case of non-compliance with JP EMS and UCTE rules relating to the nomination and harmonization of exchange schedules, permanent availability of the operating staff in charge for exchange schedule (24 hours, 365 days of a year) or allocation procedure as prescribed in the Rules, and that in such cases the participant shall not be entitled to any indemnification from JP EMS (no right to the remuneration of possible damage or return of allocation procedure fees).

The auction participants will be in due course notified about the impossibility to use a part of or whole allocated capacity at any border and direction. JP EMS is obliged to notify the market participant about the reasons of the impossibility to use the allocated capacities.

By submission of the request for allocation of right to use capacity, the auction participants state with due responsibility that they represent the companies acting in compliance with the law and that they are not subject to any bankruptcy or liquidation procedure. The auction participants state with due responsibility that their company is not subject to any court proceeding which would jeopardize the fulfillment of the terms and conditions from the Rules or the Contract. The representatives who submit the request for allocation of right to use capacity shall be pursuant to the law authorized by their company which participate in the allocation procedures and they should be informed about the obligations arising out of their authorization to submit it.

### **5.3. Submission of requests for allocation of right to use capacity in yearly, monthly and weekly auctions**

The submission of requests for allocation of right to use capacity, as well as take over of the results after completion of auctions for the yearly auctions in 2009 and also for all monthly and weekly auctions in 2009 will be effected only through of JP EMS' information system for capacity allocation (hereinafter: "DAMAS" system) accessed via web site.

The requests for allocation of the right to use capacity in yearly, monthly and weekly auctions (hereinafter: the Request) are submitted to JP EMS exclusively in the period from 09:00 until 13:00 hours in the day published on JP EMS web site (as "the day for submission of Requests" in Allocation procedure calendar).

Right to access the "DAMAS" system may be accomplished by all who signed with JP EMS the Contract on the right to use cross-border transfer capacity at borders of control area of the Republic of Serbia and on balancing of schedules, for the period from 01/01/2009 – 31/12/2009.

The manner of a request submission via "DAMAS" system, and access address are defined in the separate "Operational guidelines for submission of requests for allocation of right to use cross-border capacities on borders of control area of the Republic of Serbia and take over of the results after finished auctions", published on JP EMS web site.

Requests for allocation of rights to use capacity in yearly auction for 2009 correspond to the request for use of capacity for each required border/direction in period from 00:00 hours on January 1, 2009 until 24:00 hours on December 31, 2009 (Central European Time).

Requests for allocation of the right to use capacity in monthly auctions, correspond to the request for use of capacity for each required border/direction in the period from 00:00 hours of the first day until 24:00 hours of the last day of the period concerned (Central European Time), which will be published in table of ATC values for the month in question.

Requests for allocation of the right to use capacity in weekly auctions, correspond to the request for use of capacity for each required border/direction in the period from 00:00 hours of the first day until 24:00 hours of the last day of the period concerned (Central European Time), which will be published in table of ATC values for the week in question.

For yearly, monthly and weekly auctions the requested (demanded) value of capacity by the participant submitting the Request, as well as the allocated value of capacity by JP EMS means the right to use the transfer capacity in constant amount for each hour and during whole auction period (“band” capacity).

By submission of the request for allocation of the right to use capacity in yearly auction, the auction participant undertakes the obligation to pay a yearly fee. The yearly fee shall be paid by each participant which submits a request for allocation of capacity in yearly auction in the fixed amount of EUR 4.800,00 independent of the number of borders/directions for which the capacity is required and value of the required capacity. This fee is fully paid after yearly auctions.

By submission of the request for allocation of the right to use capacity in monthly auctions, the auction participant undertakes the obligation to pay a monthly fee. The monthly fee shall be paid by each participant who submitted the request for allocation of capacity in monthly auction in the fixed amount of EUR 800,00 independent of the number of borders/directions for which the capacity is required and value of the required capacities.

By submission of the request for allocation of the right to use capacity in weekly auctions, the auction participant undertakes the obligation to pay a weekly fee. The weekly fee shall be paid by each participant who submitted the request for allocation of capacity in weekly auction in the fixed amount of EUR 200,00 independent of the number of borders/directions for which the capacity is required and value of the required capacities.

Yearly, monthly and weekly fees are used to cover the auction procedures costs (costs on account of the receipt and processing of the Request, furnishing the notice on allocation procedure results, Annexes to the Contract, notifying the neighboring transmission system operators, transfer of capacity and other costs), as well as the costs on account of the receipt, processing and harmonization of submitted exchange schedules.

By the submission of the request for allocation of the right to use capacity in the yearly, monthly and/or weekly auctions the auction participant undertakes the obligation to pay the cross-border capacity reservation fee (CBCRF) in case when a congestion occurs at the required border/direction, i.e. if the total value of the required capacity on that border for the direction and period concerned (year, month or a part of a month) is bigger than the value of available transfer capacity (ATC) published in the allocation procedure.

#### **5.4. Execution of auctions and submission of bids (explicit auctions with “pay as bid” payment method)**

The participants in the yearly, monthly and/or weekly auctions may submit maximum 5 auction bids per each border/direction and defined period (calendar year - for the yearly auction, month or a part of the month - for the monthly auctions, week or a part of the week - for the weekly auctions). The auction bid represents a pair of capacity - price (MW - EUR/(MWh)).

The offered price is binding, i.e. the auction participant undertakes the obligation to pay the reservation of capacity as per the offered price (“pay as bid”) if its bid is accepted (as a whole or reduced) in the explicit auction procedures and if the congestion occurs at that border and direction in the period concerned. The offered price excludes the value added tax (VAT) to be calculated by JP EMS separately.

The minimum value of capacity in one auction bid is 1 MW and maximum value is 30 MW. Other values of capacity in auction bids shall be integers so the possible values of capacity in auction bid are 1, 2, 3, ..., 30 MW. In special case, when ATC is less than 30 MW, the maximum value of capacity in one auction bid equals ATC value.

The price in the auction bid is quoted in EUR/(MWh), with two decimals, whereat the lowest bid shall be more than zero, i.e. it shall be minimum 0,01 EUR/MWh.

After the expiry of the deadline for submission of the Request, JP EMS will group the auction bids as per the offered prices (in descending order) and separately for each border/direction and period, so the list of bids “capacity – price” in descending order will be formed.

If the sum of capacity values from all auction bids at one border, one direction and for the stated period is less than or equal to the value of available transfer capacity (ATC) published by JP EMS, all auction participants will be enabled to use the capacities as per the requested values defined in the auction bids and the cross-border capacity reservation fee CBCRF will in that case amount to EUR 0.

If the sum of capacity values from all auction bids at one border, one direction and the period concerned exceeds the value of available transfer capacity (ATC) published in allocation procedure, JP EMS will allocate the capacity on the basis of the offered prices from auction bids using the list of bids “capacity – price” in descending order starting from the highest offered price towards the lower prices.

The last accepted bid may be reduced in case the remaining available transfer capacity (the difference between the ATC value and the sum of previously allocated capacities for which the higher price is offered) is less than the value of the bid. The bid is reduced to the value equal to the remaining capacity, whereas for the reduced bid the same price offered by auction participant shall be valid as for the whole bid. In case when there are several bids with the lowest ranking and of the same offered price and the remaining available transfer capacity is less than the sum of those bids, the reduction will be effected proportionally for all bids with the rounding down to the lower integer value.

By submission of the Request the auction participant accepts fully that its bids may be reduced in the explicit auction procedures (in case when that bid is the lowest ranked and cannot be realized entirely), whereas the offered price from the auction bid shall be also valid for the reduced capacity.

In case that the sum of the values of capacities from all auction bids at one border, one direction and period concerned exceeds the value of available transfer capacity (ATC) published in the allocation procedure, those who submitted the Request and to whom the capacity was allocated in the explicit auction procedure are obliged to pay the cross-border capacity reservation fee (CBCRF) for each border, for each direction and period as per the formulae:

**CBCRF (EUR) =**

**$\Sigma\{\text{Binding price from auction bid (EUR/(MWh))} \times \text{allocated capacity (MW)} \times \text{planned number of hours of possible use of allocated capacity in the month or a part of a month (h)}\}$  for all accepted auction bids**

In the yearly auction for 2009, the CBCRF fee shall be invoiced to the participant in the relevant proforma invoice issued on a monthly basis, not later than the 8<sup>th</sup> day prior to the commencement of the month when the allocated capacity will be used. The CBCRF shall be calculated as per the above formulae on the basis of the binding price from the auction bid submitted by the auction participant, the value of the allocated capacity and planned number of hours of possible use of allocated capacity in that

month. In the pro-forma invoice for the month January 2009 besides the amount of CBCRF, the yearly fee from chapter 5.3. is also accounted.

In monthly auctions during 2009, the CBCRF fee is invoiced to the participant in the relevant pro-forma invoice issued on a monthly basis not later than the 8<sup>th</sup> day prior to the commencement of the month in which the allocated capacity will be used. The CBCRF will be calculated as per the above formulae, based upon the binding price from the auction bid submitted by the participant, the value of the allocated capacity and planned numbers of hours of a possible use of the allocated capacities in that month or a part of the month. In the pro-forma invoice for the relevant month besides the values of CBCRF the monthly fee from chapter 5.3. is also accounted.

In weekly auctions during 2009, the CBCRF fee is invoiced to the participant in the relevant invoice issued on a monthly basis after execution of all weekly auctions for that month (in the beginning of the month M+1 for month M). The CBCRF will be calculated as per the above formulae, based upon the binding price from the auction bid submitted by the participant, the value of the allocated capacity and planned numbers of hours of a possible use of the allocated capacities in the corresponding weeks. In the invoice for the relevant weeks besides the values of CBCRF the weekly fee from chapter 5.3. is also accounted.

The amount of the cross-border capacity reservation fee (CBCRF) paid by the auction participant does not depend on the allocated capacity utilization level in the process of nomination of cross-border exchange schedules.

## **5.5. Publishing of auction results**

After the completion of yearly, monthly and weekly auctions, each participant taking part in the auction may via “DAMAS“ system view the auction results. These results, for the defined auction period (year, month or a part of the month, week or a part of the week) for which the participant has submitted the request for the allocation of right to use capacity contain the following information (for each participant separately):

- auction identification number,
- designation of border/direction and auction period to which it relates,
- identification number of auction bid,
- available transfer capacity ATC (MW),
- value of requested capacity from auction bid (MW) and binding bid price (EUR/MWh),
- value of allocated capacity (MW),
- auction bid price for accepted bid (EUR/MWh),
- status of bid (accepted, partially accepted or rejected),
- total requested transfer capacity,
- total allocated transfer capacity,
- number of participants who submitted the request for allocation of transfer capacity at that border and direction,
- number of participants who obtained transfer capacity at that border and direction,
- total number of auction bids at that border and direction.

The auction results will be available to the auction participants not later than the time indicated in the Allocation procedure calendar.

JP EMS will furnish the annex to the Contract no. G/1 – 2009 for January 2009 to each participant in the yearly auction. This annex will be furnished via fax or e-mail and it contains the following data:

- all borders/directions where capacity was allocated to the participant,
- auction identification number,

- designation of the border/direction and auction period to which it relates,
- identification number of auction bid,
- auction period,
- value of allocated capacity (MW),
- binding price from auction bid for accepted bids (EUR/MWh),
- planned number of hours of possible use of capacity (h),
- total amount of cross-border capacity reservation fee for all borders and directions CBCRF\_sum (EUR),
- amount of yearly fee (EUR),
- amount of value added tax (VAT) (EUR)),
- total value in (EUR) to be paid by the auction participant determined as: TOTAL FOR PAYMENT (EUR) = CBCRF\_sum + yearly fee + VAT.

JP EMS furnishes annexes to the Contract for each month, starting from the annex for February 2009 to each participant in the yearly auction to whom the capacity has been allocated at least at one border and direction. These annexes will be furnished by fax or e-mail and contain the following data:

- all borders/directions where capacity was allocated to the participant,
- auctions identification number,
- designation of borders/directions and auction period to which it relates,
- identification number of auction bid,
- auction period,
- value of allocated capacities (MW),
- binding price from auction bid for accepted bids (EUR/MWh),
- planned number of hours of possible use of capacity (h),
- total amount of cross-border capacity reservation fee at all borders and directions CBCRF\_sum (EUR),
- amount of value added tax (VAT) (EUR)),
- total value in (EUR) paid by the auction participant determined as: TOTAL FOR PAYMENT (EUR) = CBCRF\_sum + VAT.

To each participant in monthly auction JP EMS will furnish the annex to the Contract for each month. The annex will be furnished by fax or e-mail and contain the following data:

- all borders/directions where capacity was allocated to the participant,
- auctions identification number,
- designation of border/direction and auction period to which it relates,
- identification number of auction bid,
- auction period,
- value of allocated capacities (MW),
- planned number of hours of possible use of capacity (h),
- binding price from auction bid for accepted bids (EUR/MWh),
- total amount of cross-border capacity reservation fee at all borders and directions CBCRF\_sum (EUR),
- amount of monthly fee (EUR),
- amount of value added tax (VAT) (EUR)),
- total value in (EUR) paid by the auction participant determined as: TOTAL FOR PAYMENT (EUR) = CBCRF\_sum + monthly fee + VAT.

To each participant in weekly auction JP EMS will furnish the annex to the Contract for each week. The annex will be furnished by fax or e-mail and contain the following data:

- all borders/directions where capacity was allocated to the participant,
- auctions identification number,
- designation of border/direction and auction period to which it relates,
- identification number of auction bid,

- auction period,
- value of allocated capacities (MW),
- planned number of hours of possible use of capacity (h),
- binding price from auction bid for accepted bids (EUR/MWh),
- total amount of cross-border capacity reservation fee at all borders and directions CBCRF\_sum (EUR),
- amount of weekly fee (EUR),
- amount of value added tax (VAT) (EUR)),
- total value in (EUR) paid by the auction participant determined as: TOTAL FOR PAYMENT (EUR) = CBCRF\_sum + weekly fee + VAT.

The general information about the allocation procedure results will be published on JP EMS web site, in table with auction results.

## **5.6. Accounting of cross-border capacity reservation fee, yearly, monthly and weekly fees and value added tax**

### **A) yearly auctions**

The fee for reservation of cross-border transfer capacity (CBCRF) allocated to the participant in the yearly auction shall be calculated on a monthly basis as per the planned number of hours of a possible use of allocated capacity. This fee shall be paid in advance prior to the commencement of the use of right to allocated capacity (together with the yearly fee to be paid for January 2009), according to the pro-forma invoice/invoice issued by JP EMS. JP EMS issues this pro-forma invoice not later than the 8 days before the commencement of the month in which the capacity will be used, and the invoicing date will be published in the Allocation procedure calendar.

In the mentioned pro-forma invoice, the value added tax (VAT) is added to the sum of CBCRF and yearly fee in the amount of 18% of the invoiced value, as per the Value Added Tax Law (Official Journal of Republic of Serbia 84/04, 86/04 and 61/05, Articles 3 and 12). Each previously stated amount as well as the total amount will be stated in the pro-forma invoice/invoice in euro (EUR). Those participants submitting the Requests shall pay the total amount stated in the pro-forma invoice/invoice under item "Total for Payment", which includes the value added tax too. The payment of pro-forma invoice/invoice will be made to JP EMS account in dinars (RSD), at the middle exchange rate of the National Bank of Serbia (NBS) on the date of payment. The payment instructions will be stated in the pro-forma invoice/invoice.

The deadline for payment of pro-forma invoice/invoice issued by JP EMS is eight days as from the date of the invoice issuance. The pro-forma invoice/invoice amount shall be paid in full without any reductions or compensations to the account of JP EMS within the stipulated time. It will be considered that the payment as per the pro-forma invoice/invoice is effected when the relevant sum is deposited at the account of JP EMS.

If the deadline for payment expires on a non-working day or holiday, the term shall be the following working day.

In case of delay in payment, the participant shall pay the default interest calculated in compliance with the law. If the auction participant fails to pay the amount stated in the pro-forma invoice/invoice within the stipulated deadline it will lose the right to use the transfer capacity allocated in the yearly auction and it shall not be entitled to participate in the following monthly auction and the following weekly auctions.

The auction participants shall pay the total amount stated in the pro-forma invoice/invoice within the stipulated deadline disregarding any possible unsettled obligations of JP EMS towards them.

**B) monthly auctions**

The fee for the reservation of cross-border transfer capacity (CBCRF) allocated to the participant in the monthly auction shall be calculated on a monthly basis as per the planned number of hours of a possible use of allocated capacities in each auction period (whole month or a part of the month). This fee shall be paid in advance prior to the commencement of the use of right to allocated capacity together with the amount of the monthly fee, according to the pro-forma invoice/invoice issued by JP EMS. JP EMS will issue this pro-forma invoice not later than 8 days before the commencement of the month in which the capacity will be used, and the invoicing date will be published in the Allocation procedure calendar.

In the mentioned pro-forma invoice, the value added tax (VAT) is added to the sum of CBCRF and monthly fee in the amount of 18% of the invoiced amount, as per the Value Added Tax Law (Official Journal of Republic of Serbia 84/04, 86/04 and 61/05, Articles 3 and 12). Each previously stated amount as well as the total amount will be stated in the pro-forma invoice/invoice in euro (EUR). Those participants submitting the request shall pay the total amount stated in the pro-forma invoice/invoice under item "Total for Payment", which includes the value added tax too. The payment of pro-forma invoice/invoice will be made to JP EMS account in dinars (RSD), at the middle exchange rate of the National Bank of Serbia (NBS) on the date of payment. The payment instructions will be stated in the pro-forma invoice/invoice.

The deadline for payment of pro-forma invoice/invoice issued by JP EMS is eight days as from the issuance date. The pro-forma invoice/invoice amount shall be paid in full, without any reductions or compensations, to the account of JP EMS within the stipulated time. It will be considered that the payment as per the pro-forma invoice/invoice is effected when the relevant sum is deposited at the account of JP EMS.

If the deadline for payment expires on a non-working day or holiday, the term shall be the following working day.

In case of delay in payment, the participant shall pay the default interest calculated in compliance with the law. If the auction participant fails to pay the amount stated in the pro-forma invoice/invoice within the stipulated deadline it will lose the right to use transfer capacities allocated in that monthly auction and it shall not be entitled to participate in the following monthly auction and the following weekly auctions.

The auction participants shall pay the total amount stated in the pro-forma invoice/invoice within the stipulated deadline disregarding any possible unsettled obligations of JP EMS towards them.

**C) weekly auctions**

The fee for the reservation of cross-border transfer capacity (CBCRF) allocated to the participant in the weekly auctions shall be calculated on a monthly basis as per the planned number of hours of a possible use of allocated capacities in each auction period. This fee shall be paid after all executed weekly auctions in that month. The invoicing date will be published in the Allocation procedure calendar.

In the mentioned invoice, the value added tax (VAT) is added to the sum of CBCRF and weekly fees in the amount of 18% of the invoiced amount, as per the Value Added Tax Law (Official Journal of Republic of Serbia 84/04, 86/04 and 61/05, Articles 3 and 12). Each previously stated amount as well as the total amount will be stated in the invoice in euro (EUR). Those participants submitting the request shall pay the total amount stated in the invoice under item "Total for Payment", which includes the value added tax too. The payment of invoice will be made to JP EMS account in dinars (RSD), at the middle exchange rate of the National Bank of Serbia (NBS) on the date of payment. The payment instructions will be stated in the invoice.

The deadline for payment of invoice issued by JP EMS is eight days as from the issuance date. The invoice amount shall be paid in full, without any reductions or compensations, to the account of JP EMS

within the stipulated time. It will be considered that the payment as per the invoice is effected when the relevant sum is deposited at the account of JP EMS.

If the deadline for payment expires on a non-working day or holiday, the term shall be the following working day.

In case of delay in payment, the participant shall pay the default interest calculated in compliance with the law. If the auction participant fails to pay the amount stated in the invoice within the stipulated deadline it will lose the right to nominate exchange schedules, execute transfer of capacity, use allocated capacity and participate in all capacity auctions until all obligations are settled.

The auction participants shall pay the total amount stated in the invoice within the stipulated deadline disregarding any possible unsettled obligations of JP EMS towards them.

## **6. Exercising right to use allocated capacity**

The right to use allocated transfer capacity will be accomplished through the nomination of cross-border exchange schedules with due compliance with the Transmission Grid Code, possible constraints in import/export of electric energy and applied market rules. The exchange schedule shall be submitted for the following day or for the following days if the weekend or holiday follows (the first working day after the weekend/holiday included). The deadline for submission of exchange schedules (cross-border and internal) is defined in the Transmission Grid Code (14:00 hours).

Right to use cross-border transfer capacity is accomplished on the basis “use it or lose it”, i.e. the capacity is reserved only for the nomination of schedules in the “day-ahead” process. The values defined in the cross-border exchanges cannot exceed the values of the allocated capacities in any period of time, and the value of allocated cross-border capacity includes also a part of the allocated capacity obtained in the allocation procedure by the neighboring system operator.

## **7. Return of allocated capacity and transfer of capacity**

The auction participant who was allocated the right to use the cross-border transfer capacity cannot return to JP EMS a part of the allocated capacity or the whole allocated capacity at any border/direction disregarding the reasons for incapability to use the allocated capacity.

The auction participant who was allocated the right to use cross-border transfer capacity cannot directly transfer the capacity to another participant or to several other participants; the participant may do it only with the permit and consent of JP EMS.

The prerequisite to execute the transfer of capacity is that both participants, namely all the participants participating in the transfer of capacities (the participant who wishes to transfer the right to use the capacity to another participant – transferor and the participant/participants to whom the right to use the capacity is transferred – transferee/s) have concluded with JP EMS the Contract on the right to use cross-border transfer capacity at borders of control area of the Republic of Serbia and on balancing of schedules, for the period from 01/01/2009 – 31/12/2009.

The participants executing the transfer of capacity are obliged to submit to JP EMS a joint request for the transfer of capacity separately for the capacity allocated in each auction which has unique identification number. With this number each auction in the “DAMAS“ system is unambiguously designated concerning its auction period, border and direction.

The participant who was allocated the right to use capacity in the yearly or monthly auctions may transfer that right to another participant or participants on a daily level (from 00:00 to 24:00 hours in a

respective day). The request for the transfer of capacity is submitted exclusively in writing, by filling in the Form "Request for transfer of capacity" published on JP EMS web site. The completed form of the relevant request for the transfer of capacity shall be furnished to JP EMS exclusively by fax number +381 11 3970 695. The form of the request for transfer of capacity shall be filled in properly with all required data about the transferor and the transferee, with signatures of authorized persons and company seals of both participants. The request for the transfer of capacity without all the required data for both participants will not be taken into consideration and it will be rejected.

The participant who was allocated the right to use capacity in the weekly auctions may not transfer that right to another participant or participants, i.e. transfer of capacity in this case is not allowed.

Transfer of capacity on all borders except on Serbian-Hungarian border may be executed on daily level. In this case, the request for the transfer of capacity for the day D must be furnished not later than 12:00 hours five working days prior to the day D. After this term expires, the received requests for the transfer of capacity will be considered as invalid and such requests will be rejected.

Transfer of capacity on Serbian-Hungarian border must be executed on weekly level. In this case, the request for the transfer of capacity for the week W must be furnished not later than 12:00 hours five working days prior to the week W. After this term expires, the received requests for the transfer of capacity will be considered as invalid and such requests will be rejected.

The request for the transfer of capacity furnished to JP EMS shall be binding for both participants and after its submission to JP EMS, it cannot be changed or withdrawn. Within one working day after the receipt of the request for transfer of capacity JP EMS will respond in writing to the submitted request for transfer of capacity. JP EMS will send the reply to the transferor, as well as to the transferee. The information on executed transfer of capacity will be available in the "DAMAS" system.

The form of the relevant request for transfer of capacity relates to the capacity allocated in one auction (with the appropriate identification number) and to one pair of participants (consisting of the participant who wishes to transfer the right to use capacity to the other participant – transferor and the participant to whom the right to use capacity is transferred - transferee). If one participant wishes to transfer capacities to several participants, he shall submit a separate request for transfer of capacity for each participant to whom he wants to transfer the capacity.

The participant may transfer capacity in full (the full amount of the allocated capacity) or partially (a part of the allocated capacity).

Minimum value of the capacity which one participant may transfer to another participant is 1 MW.

JP EMS will invoice the yearly and monthly fee as well as the cross-border capacity reservation fee (CBCRF) in case of congestion to the participant to whom the capacity was firstly allocated.

The transfer of capacity may be realized only if the participant who wishes to transfer the right to use capacity has paid the yearly/monthly fee as well as the cross-border capacity reservation fee (CBCRF) in case of congestion, for the month for which the transfer of capacity is accomplished.

JP EMS will not charge the transfer of the capacity.

## **8. Suspension and restriction of right to use transfer capacity allocated in auction**

Due to the fact that the value of the previously determined available transfer capacity (ATC), both for yearly and monthly level may be reduced prior to the moment of the real use of allocated capacity, the

right to use cross-border transfer capacity which was allocated to the participants in yearly, monthly and/or weekly auctions, is not guaranteed.

The right of the capacity right holders to use the capacity at any border/direction allocated in yearly auction may be suspended for a part or for the whole value of the capacity within a certain period of time due to technical reasons scheduled and known in advance (hereinafter: the scheduled reasons), as well as due to the reasons which cannot be planned or foreseen in advance (hereinafter: unscheduled reasons). The scheduled reasons for possible restriction of the right to use a part or the whole value of allocated capacity comprise the scheduled yearly disconnections of interconnection lines due to the regular yearly overhauls or maintenance.

The right of the capacity right holders to use the capacity at any border/direction allocated in the monthly and/or weekly auctions cannot be suspended for a part or for the whole value of the capacity within a certain period of time due to the scheduled reasons.

In the event of suspension or restriction of the right to use cross-border transfer capacity allocated in yearly auction due to the scheduled reasons, capacity right holders will be in due course notified about the value of the capacity which cannot be used and the reasons for that constraint, not later than until the 10<sup>th</sup> day of a calendar month M-1 for the capacity which would be used in the month M, namely the capacity right holder will be notified prior to the regular monthly auctions for the month M.

In case of the partial restriction of the right to use capacity allocated in the yearly auction due to the scheduled reasons, JP EMS will use the principle of “pro-rata“ reduction of the capacity for all capacity right holders.

In case of suspension or restriction of the right to use cross-border transfer capacity allocated in the yearly auction due to the scheduled reasons, the auction participant will be charged the CBCRF fee only for the period during a month when the participant may use capacity right in full or partially, only for the maximum value of capacity that can be used. The auction participant will in this case neither have the right to be compensated for the usual damage nor for the compensation of the loss of profit (loss and compensation of indirect damage) due to reasons for which JP EMS is not responsible.

The unscheduled reasons for the suspension or restriction of the right to use capacity allocated in the yearly or monthly auctions comprise:

- reduction of values of available transfer capacity (ATC) due to the unexpected conditions in the network/emergency situations in the electric power system of the Republic of Serbia, power systems in neighboring countries or UCTE interconnection,
- limitation of the access to the transmission system of the Republic of Serbia through the interconnection links by JP EMS in order to maintain the security of the power system in the Republic of Serbia or in UCTE interconnection on the required level, in accordance with the Transmission Grid Code,
- limitation of the access to the transmission system of the Republic of Serbia through interconnection links by JP EMS in order to maintain the security of supply of tariff consumers as well as in cases stipulated in Article 76 of the Energy Law.

In the case of the suspension or restriction of the right to use the capacity due to the unscheduled reasons, JP EMS will publish the reasons in due course on the web site and notify the participants thereof. JP EMS will reduce the allocated capacity as follows:

- if the new value of ATC is bigger than the value of the capacity allocated in the yearly auction, JP EMS will not reduce the capacity allocated in the yearly auction, while the capacity allocated in the monthly and weekly auctions will be reduced by applying the principle of “pro-rata“ reduction of the capacity,
- if the new value of the ATC is equal to the value of the capacity allocated in the yearly auction, JP EMS will not reduce the capacity allocated in the yearly auction, while the capacity allocated in the monthly and weekly auctions will be suspended,

- if the new value of ATC is less than the value of the capacity allocated in the yearly auction, JP EMS will reduce the capacity allocated in the yearly auction by applying the principle of “pro-rata” reduction of the capacity, while the capacity allocated in the monthly and weekly auctions will be suspended.

In case of suspension or restriction of the right to use cross-border transfer capacity allocated in the yearly, monthly and weekly auction due to the unscheduled reasons, the auction participant has not the right to claim for the paid cross-border capacity reservation (fee CBCRF) and the yearly and monthly fee. In this case, the auction participant will neither has right to be compensated for the usual damage nor for the loss of profit (loss and compensation of indirect damage) due to reasons for which JP EMS is not responsible.

JP EMS may suspend the right to use the allocated transfer capacity in the actual month to each capacity right holder, if that capacity right holder fails to fully comply with the JP EMS rules and UCTE rules which stipulate the nomination and harmonization of exchange schedules.

JP EMS may suspend the right to use the allocated transfer capacity in the actual month to each capacity right holder if that capacity right holder has debts or unsettled financial obligations towards JP EMS. In that case, capacity right holder shall lose its right to participate in future auctions until it fulfils its obligations towards JP EMS.

## **9. Nomination of the exchange schedule and its balancing**

Only those market participants who concluded with JP EMS the Contract on the right to use cross-border transfer capacity at borders of control area of the Republic of Serbia and on balancing of schedules, for the period from 01/01/2009 – 31/12/2009, have right to nominate cross-border and internal exchange schedules. The nomination of exchange schedules is carried out according to the Transmission Grid Code.

JP EMS accepts the nomination of cross-border exchanges for direction “import” (cross-border exchanges in the direction from the neighboring country control area towards Serbia) exclusively by the market participant declared in the cross-border exchange as the “in-party“. Analogue, JP EMS accepts the nomination of the cross-border exchanges in the direction “export” (cross-border exchanges in the direction from Serbia towards the neighboring country control area) exclusively by the market participant declared in the cross-border exchange as the “out -party“.

If the market participant with the right to nominate exchange schedules of JP EMS wishes to use the cross-border capacity right allocated by the neighboring transmission system operator in the process of nomination of cross-border exchange schedule, that participant is liable to inform JP EMS about it by submitting the “Statement on take over of the right to use cross-border capacity allocated by neighboring transmission system operator “ (hereinafter: the Statement). The form of the Statement will be published on the JP EMS web site. The Statement must be submitted to JP EMS (filled in and signed by both parties) exclusively by fax number + 381 11 3970 217.

In case of the take over of the capacity right allocated in the yearly or monthly allocation by the neighboring transmission system operator, the Statement shall be submitted not later than 09:00 hours two working days prior to the day D to which the cross-border capacity right refers. In case of the take over of the capacity right allocated in the daily allocation by the neighboring transmission system operator, the Statement shall be submitted not later than at 09:00 hours of the previous working day.

In accordance with the Transmission Grid Code, the schedule of exchange, generation and consumption nominated to JP EMS by the market participant must be balanced for each time interval (algebraic sum of the received power from the transmission system and the delivered power in the transmission system must be zero).

If after the process of harmonization and the period planned for the correction the nominated schedule of exchange, generation and consumption becomes imbalanced, JP EMS may carry out a compulsive balancing of that schedule in accordance with the Transmission Grid Code. Taking into account all constraints relating to the possibility of additional harmonization of exchange schedules with neighboring transmission system operators and market participants, JP EMS executes the compulsive balancing as follows:

- through reduction of certain exchanges and/or
- through rejection (bringing to zero) of certain exchanges.

If the above stated measures cannot contribute to full balancing of the market participant's schedule, JP EMS will carry out the compulsive balancing by imposing the exchange of balancing energy between JP EMS and the market participant, whereat the market participant is obliged to pay all the expenses of JP EMS as per the contract in force which JP EMS concluded with the supplier of the system services. In this case the exchange of the balancing energy between JP EMS and market participant will be carried out as per the following rules:

- if the market participant remained in the positive imbalance in the control area of the Republic of Serbia and if it is balanced by JP EMS so that it delivers the electric energy to JP EMS, the market participant is obliged to deliver to JP EMS the electric energy at the price of 0 EUR/MWh and to pay the costs for covering imbalance in the Serbian control area in the amount of 100 EUR/MWh (without VAT),
- if the market participant remained in the negative imbalance in the control area of the Republic of Serbia and if it is balanced by JP EMS so that it withdraws the electric energy from JP EMS, the market participant is obliged to pay to JP EMS the received electric energy at the price of 250 EUR/MWh (without VAT).

After the executed balancing of schedule by JP EMS, JP EMS will furnish to the market participant the Confirmation for executed compulsive balancing of schedule. The market participant is obliged to return to JP EMS the signed copy of the Confirmation for executed compulsive balancing of schedule within two working days.

After the month M expires, JP EMS will calculate the total costs for covering imbalance and for delivered balancing electric energy on the basis of the confirmations for executed compulsive balancing of schedule for the month M and JP EMS will submit the invoice to the market participant.

In the mentioned invoice, the value added (VAT) of 18% is added to the invoiced amount pursuant to the Value Added Tax Law. The payment of the invoice will be made at the JP EMS account, in dinars (RSD), at middle exchange rate of the National Bank of Serbia (NBS) on the payment date. The payment instructions will be stated in the invoice.

The deadline for payment as per the invoice issued by JP EMS is eight days from its issuance. The invoiced amount shall be paid in total, without any reductions or compensations, to the account of JP EMS and within the stipulated time. It will be considered that the payment as per the invoice has been effected when the appropriate amount is deposited at the JP EMS account.

If the deadline for payment expires on a non-working day or holiday, the term shall be the following working day.

If within 8 days as from the date of invoice the market participant fails to settle the financial obligations regarding the compulsive electric energy exchange due to the compulsive balancing, the market participant will be subject to the suspension of the following rights: the right to nominate the exchange schedules, the right to execute transfer of capacity, the right to use allocated capacity and the right to participate in capacity auctions until the participant pays the invoiced amount. In case of delay in payment, the participant shall pay the default interest calculated in compliance with the law.

APPENDIX: Contacts

1. Allocation procedure and capacity allocation

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2. Access to the “DAMAS“ system and submission of requests for capacity allocation

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3. Exchange schedules

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4. Financial issues

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