

## **Pilot Project of Bundled Transmission Capacity Reservation Auctions with NET4GAS, s.r.o.**

As a follow-up to Commission Regulation (EU) No. 984/2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems from 1 November 2015 and supplementing Regulation (EC) No. 715/2009 of the European Parliament and of the Council, Eustream, a.s. has decided to execute a pilot project to test the functionality of the bundled transmission capacity reservation system via selected auction platform. The rules for transmission capacity reservation within the framework of the pilot project correspond to the provisions of Commission Regulation (EU) No. 984/2013. The rules for bundled transmission capacity reservation auctions to be carried out at border points as part of the pilot project are described below. After the end of the pilot project, all transmission capacity reservations at border points will only be carried out using the existing eustream customer zone (Transmission Information System - TIS) until Commission Regulation (EU) No. 984/2013 enters into force.

Eustream, a.s. and NET4GAS, s.r.o. offer firm bundled transmission capacity at Lanžhot border point. The pilot project will be executed using the GAZ-SYSTEM Auctions Platform (further "GSA") available at <https://auctions.gaz-system.pl/>. Bundled transmission capacity will be offered by means of auctions held in August 2015. Bundled transmission capacity will concern the month period of September 2015. Bundled transmission capacity will be usable in real-world operations. The transmission system operator will assess the pilot project afterwards. A written report will be subsequently submitted to the Regulatory Office for Network Industries (URSO) and provided to market participants for comments.

Eustream, a.s. and NET4GAS, s.r.o. will organize auctions of monthly firm bundled capacity as well as firm day-ahead transmission capacity in both directions of the Interconnection point. For bundled transmission capacity at entry point Lanžhot, Eustream, a.s. will offer additional available firm transmission capacity of amount 1 million cubic meters (10,400 MWh/d) for September 2015. For bundled transmission capacity at exit point Lanžhot, the amount of bundled firm transmission capacity will be calculated based on transmission capacity available on the day on which the amount of bundled capacity is announced. If NET4GAS, s.r.o. allocates a lower quantity of transmission capacity for bundled transmission capacity, the total offered bundled transmission capacity will be reduced to the applicable lower level. The date on which transmission capacity will be made available for bundled transmission capacity for monthly auction are specified in the table below. Transmission capacity will be always allocated for a day-ahead bundled transmission capacity auction on the same day on which the day-ahead auction is held, i.e. every day from 31 August 2015 to 29 September 2015.

The reserve price will be the sum of the reserve price set by Eustream, a.s. and the reserve price set by NET4GAS, s.r.o. The reserve price set by Eustream, a.s. will be calculated in accordance with the Price Decision in effect.

To participate in auctions for bundled transmission capacity, network users are obliged to register with the GSA platform and shall be subsequently accepted by the respective transmission system operators, i.e. Eustream, a.s. and NET4GAS, s.r.o. In case of Eustream, a.s. the acceptance means to conclude pilot project contract between network user and Eustream, a.s. The acceptance of a network user with Eustream, a.s., for participation in an auction must be always carried out no later than three business days prior to the applicable auction.

auction type	publication of available transmission capacity	auction beginning	deadline for last registration
Monthly	10 August 2015	17 August 2015	12 August 2015

## Rules for Reservation of Bundled Transmission Capacity at Border Points through Auctions

### 1. Definitions

"**TSO**" – Eustream, a.s. acting as the Transmission System Operator,

"**Bundled transmission capacity auction**" – Auction of bundled transmission capacity through the Auction Reservation Platform,

"**Auction premium**" – Difference between the clearing price and the reserve price,

"**Auction premium for the TSO**" – Share of the auction premium attributable to the TSO,

"**Auction premium for the adjacent transmission system operator**" – Share of the auction premium attributable to the adjacent transmission system operator,

"**Auction Reservation Platform**" – Platform where auctions take place for a given bundled transmission capacity delivery point based on a contract entered into between a Network User and the platform operator,

"**Auction clearing price**" – Price for which a Network User reserves bundled transmission capacity auctioned in a bundled transmission capacity auction, which includes the clearing price of the TSO's auction and the clearing price of the auction of the adjacent transmission system operator,

"**Clearing price of the TSO's auction**" – Clearing price achieved in an auction that is attributed to the TSO for transmission in the Slovak Republic, composed of the TSO's reserve price and of the Auction premium for the TSO,

"**Clearing price of the auction of the adjacent transmission system operator**" – Clearing price achieved in an auction attributable to the adjacent transmission system operator, which includes the reserve price of the adjacent transmission system operator and the Auction premium for the adjacent transmission system operator,

"**Transmission price**" – Regulated price published in the RONI's price decision or the clearing price of the TSO's auction,

"**RONI**" – Regulatory Office for Network Industries, for territory of Slovakia means Úrad pre reguláciu sieťových odvetví

"**Border Point**" – The connection between the transmission system of Eustream, a.s. and the adjacent transmission system on the border of the Slovak and Czech Republic in the vicinity of Lanžhot,

"**Small price step**" – Sum of the TSO's small price step and the adjacent transmission system operator's small price step,

"**TSO's small price step**" – Amount calculated as 1% of respective tariff rate as approved in price decision in effect,

"**Adjacent transmission system operator's small price step**" – Amount set in accordance with laws in effect in the jurisdiction where the registered office of the adjacent transmission system operator is located,

"**Large price step**" – Sum of the TSO's large price step and the adjacent transmission system operator's large price step,

"**TSO's large price step**" – Amount calculated as 5% of respective tariff rate as approved in price decision in effect,

**"Adjacent transmission system operator's large price step"** – Amount set in accordance with laws in effect in the jurisdiction where the registered office of the adjacent transmission system operator is located,

**"Reserve price"** – Sum of the TSO's reserve price and the adjacent transmission system operator's reserve price,

**"TSO's reserve price"** – Minimum acceptable auction price set in accordance with the RONI's price decision in effect, and

**"Adjacent transmission system operator's reserve price"** – Minimum acceptable auction price set in accordance with laws in effect in the jurisdiction where the registered office of the adjacent transmission system operator is located.

## **2. Reservation of Bundled Transmission Capacity at Border Points through Auction**

- 2.1. Prerequisites for the reservation of bundled transmission capacity include the entry into a pilot project contract which shall be delivered to the TSO no later than on the 5<sup>th</sup> business day before the submission of a bid in a Bundled Transmission Capacity Auction, having valid Framework contract on access to the transmission network and gas transmission, , having sufficient financial security with TSO according to its Operational Order. Subsequently Network User shall fulfill prerequisites required by the adjacent transmission system operator and conclude a contract with the operator of the Auction Reservation Platform..
- 2.2. In reserving transmission capacity at a given Border Point, the Network User shall make a transmission capacity reservation request by electronic means through the Auction Reservation Platform using the procedure described in the in-effect rules of the Auction Reservation Platform.
- 2.3. The relevant auction processes shall be started for all affected Border Points simultaneously.
- 2.4. Procedure for the conduct of Bundled Transmission Capacity Auctions at Border Points:
  - 2.4.1. The bidding rounds of every Monthly Bundled Transmission Capacity Auction shall be held from 9:00 a.m. to 6:00 p.m. in accordance with paragraph 2.6.1.2.
  - 2.4.2. The Auction Reservation Platform shall inform registered Network Users of the reserve price in euros for the relevant auction. The price in euros is not binding and serves for indicative purposes only. The Auction Reservation Platform shall also disclose the TSO's reserve price and the reserve price of the adjacent transmission system operator.
  - 2.4.3. The Auction Reservation Platform shall publish on its website the results of a Bundled Transmission Capacity Auction (the sum of the total allocated reserved transmission capacity and the sum of auction clearing prices) as soon as possible after the end of a bidding round, but no later than on the next business day following the end of the bidding round.
  - 2.4.4. The Auction Reservation Platform shall send information on the results of a Bundled Transmission Capacity Auction (the auction clearing price in euros, where the price stated in euros is not binding and serves for indicative purposes only, the clearing price in the TSO's auction, the clearing price in the auction of the adjacent transmission system operator, and the amount of the transmission capacity allocated to them) by e-mail after the end of a bidding round simultaneously to all individual Network Users who participated in the relevant Bundled Transmission Capacity Auction.

- 2.5. The TSO shall allow Network Users to reserve bundled transmission capacity products for the given Border Point:

**2.5.1. Monthly Firm Transmission Capacity**

- 2.5.1.1. Monthly transmission capacity products consist of transmission capacity, for a given quantity of which a Network User may apply for all gas days in a specific calendar month, starting on the first day of every month.
- 2.5.1.2. Bundled Monthly Transmission Capacity Auctions shall be held once a month and shall begin on the third Monday of every month. In Bundled Monthly Transmission Capacity Auctions, Network Users may request one monthly transmission capacity product.
- 2.5.1.3. Bundled Monthly Transmission Capacity Auctions shall be used to auction sell transmission capacity for individual monthly transmission capacity products using the ascending-clock auction algorithm as per paragraph 2.6.1. The monthly transmission capacity product shall be auctioned every month for the next calendar month.
- 2.5.1.4. For the purposes of a Bundled Monthly Transmission Capacity Auction, the TSO shall publish for the needs of Network Users the amount of the transmission capacity to be offered through the Auction Reservation Platform one week before the start of such a Bundled Transmission Capacity Auction.
- 2.6. If several transmission capacity products are offered in a Bundled Transmission Capacity Auction, the allocation algorithm described below shall be used for capacity allocation purposes. In the application of the auction algorithm, bids for different transmission capacity products shall be assessed independently of one another.
- 2.6.1. The ascending-clock auction algorithm with multiple bidding rounds shall be used for Bundled Monthly Transmission Capacity Auctions.
- 2.6.1.1. Ascending-clock auctions allow Network Users to make volume bids in response to the gradually increasing price announced in consecutive bidding rounds; bidding starts at the reserve price.
- 2.6.1.2. The first bidding round, in which the price shall be equal to the reserve price, shall last three hours. All subsequent bidding rounds shall last one hour. Individual bidding rounds shall be separated by intermissions lasting one hour.
- 2.6.1.3. A bid shall specify the following information: the identity of the bidding Network User, the applicable Border Point and flow direction, the transmission capacity amount for the relevant capacity specified for each price step, and the requested product.
- 2.6.1.4. A bid shall be considered valid if submitted by a Network User and if compliant with all provisions of this Article.
- 2.6.1.5. To participate in an auction, Network Users shall place a volume bid in the first bidding round.
- 2.6.1.6. The TSO shall provide Network Users with the option to place bids automatically with regard to any price step.
- 2.6.1.7. Once a given bidding round closes, no modification, withdrawal, or amendment of valid bids shall be possible. All valid bids shall become binding commitments of a Network User to reserve transmission capacity in the quantity requested for the announced price, provided that the clearing price of the auction corresponds to the price announced in the relevant bidding round.
- 2.6.1.8. The volume bid in any bidding round per Network User shall be equal to or lower than the transmission capacity offered in the specific Bundled Transmission Capacity Auction. The volume bid per Network User at a specific price shall be equal to or lower than the volume bid placed by this Network User in the previous round, except where paragraph 2.6.1.4 applies.

- 2.6.1.9. Bids may be entered, modified, and withdrawn with no restriction during a bidding round, provided that all bids conform to paragraph 2.6.1.8. Bids shall remain valid until modified or withdrawn.
- 2.6.1.10. A Large price step and a Small price step shall be defined per Border Point and transmission capacity product.
- 2.6.1.11. If the aggregate demand across all Network Users is greater than the transmission capacity offered at the end of the first bidding round or a subsequent bidding round, a further bidding round shall be opened with a price equal to the price in the previous bidding round, plus the Large price step.
- 2.6.1.12. If the aggregate demand across all Network Users is equal to the transmission capacity offered at the end of the second bidding round or a subsequent bidding round, the Bundled Transmission Capacity Auction shall close.
- 2.6.1.13. If a first-time transmission capacity undersell occurs, the price shall be reduced, and a further bidding round shall be opened. The further bidding round shall have a price equal to the price applicable in the bidding round preceding the first-time transmission capacity undersell, plus the Small price step. Further bidding rounds with increments by the Small price step shall then be opened until the aggregate demand across all Network Users is lower than or equal to the offered transmission capacity, at which point the Bundled Transmission Capacity Auction shall close.
- 2.6.1.14. The volume bid per Network User in the first bidding round, where Small price steps are applied, shall be equal to or lower than the volume bid placed by this Network User in the bidding round which preceded the first-time capacity undersell. The volume bid per Network User in all bidding rounds in which Small price steps are applied shall be equal to or greater than the volume bid placed by this Network User during the bidding round in which the first-time transmission capacity undersell occurred.
- 2.6.1.15. If the aggregate demand across all Network Users is greater than the transmission capacity offered in the bidding round with a price equal to that which led to the first time transmission capacity undersell, minus one Small price step, the auction shall close. The transmission price shall be the price that led to the first-time undersell, and successful bids shall be those submitted during the original bidding round in which the first-time transmission capacity undersell occurred.
- 2.6.1.16. After each bidding round, the demand of all Network Users in a specific Bundled Transmission Capacity Auction shall be published in an aggregated form as soon as possible.
- 2.6.1.17. The price announced for the last bidding round, in which the Bundled Transmission Capacity Auction closes, shall be considered the clearing price of the specific auction, except cases where paragraph 2.6.1.15 applies.
- 2.6.1.18. All Network Users who have placed valid volume bids at the clearing price shall be allocated transmission capacity according to their volume bids at the clearing price. Network Users who submit successful bids shall pay the clearing price of the specific Bundled Transmission Capacity Auction. Clearing price is equal to sum of reserve price and respective Auction premium. Reserve price as a part of final clearing price shall be adjusted in accordance with valid price decision, not affecting the Auction premium.
- 2.6.1.19. If an ascending-clock Bundled Transmission Capacity Auction does not end by the scheduled starting time of the next auction for transmission capacity covering the same period, the first Bundled Transmission Capacity Auction shall close, and no transmission capacity shall be allocated. This transmission capacity shall be offered in the next relevant Bundled Transmission Capacity Auction.