



**SLOVENIAN AND ITALIAN INTERCONNECTION CAPACITY
ACCESS RULES
(Auction Rules)**

**2007
VERSION 1.0**

Section I. Introduction.....	4
1.01. General Context	4
1.02. Auction Procedure	4
1.03. General aspects of – Auction Rules.....	4
1.04. Legal qualification of the awarding of PTRs pursuant to an Auction.....	4
1.05. Collection of debts / waiver of right to compensate	5
Section II. General	6
Article 2.01 Definitions.....	6
Article 2.02 Yearly, Monthly and Daily Auctions	10
Article 2.03 Interconnection Capacity for Yearly, Monthly and Daily Auctions.....	10
Article 2.04 Basis on which Interconnection Capacity is offered	11
Article 2.05 Firmness of PTRs and Guarantee of schedules	11

Article 2.06 Auction Website	11
Article 2.07 Conduct of Users.....	11
Article 2.08 Currency	12
Section III. Participation requirements	13
Article 3.01 Registration requirements	13
Article 3.02 Financial guarantees.....	13
Article 3.03 Requirements in respect of grid access	14
Section IV. Auction proceedings.....	14
Article 4.01 Auctions Specification	14
Article 4.02 Yearly, Monthly and Daily Auctions on the Interconnection between Slovenia and Italy	15
Article 4.03 Format of Bids and Bid limitation	17
Article 4.04 Submission of Bids for Yearly, Monthly and Daily Auctions.....	17
Section V. Determination of Auction results.....	18
Article 5.01 Awarding of PTRs	18
Article 5.02 Notification of Auction results.....	19
Article 5.03 Deadline for contesting results.....	19
Section VI. Secondary PTR Market	21
Article 6.01 PTR Transfers	21
Article 6.02 PTR Resale	22
Article 6.03 Exceptional Circumstances.....	22
Article 6.04 Cancellation of an Auction	23
Section VII. Capacity usage rules	24
Article 7.01 Notification of the Counterparty and PTR Nomination to TSO.....	24
Article 7.02 Usage of PTRs acquired through Yearly, Monthly and Daily Auctions.....	25
Section VIII. Settlement / Payment	25
Article 8.01 Financial Provisions	25
(a) Capacity Allocation via daily Auctions in direction from Italy to Slovenia	25
(b) Issuance of invoices	25
(c) Invoice disputes.....	26
(d) Payment condition.....	26
(e) Late payment.....	26
(f) Interest on arrears	26
Article 8.02 Settlement of Yearly, Monthly and Daily Auctions in the direction from Slovenia to Italy	26

Article 8.03 Exclusion of Set-off	28
Section IX. Miscellaneous.....	29
Article 9.01 Information / Notices	29
Article 9.02 Limitation of Liability	29
Article 9.03 Confidentiality	29
Article 9.04 Severability	30
Article 9.05 Applicable Law and Disputes.....	30
Article 9.06 Force Majeure	30
Article 9.07 Amendment of Rules.....	30

Section I. Introduction

1.01. General Context

In accordance with Regulation (EC) n° 1228/2003 of the European Parliament and of the Council, of 26th of June 2003 on conditions for access to the network for cross-border exchanges in electricity, the Auction Rules set out the terms and conditions governing the allocation of available Interconnection Capacity via Auctions in both directions on the Slovenia-Italy Interconnection.

ELES d.o.o. (ELES) the Slovenian Transmission System Operator and TERNA Rete Elettrica Nazionale Spa (TERNA) the Italian Transmission System Operator (TSO) have commissioned the Auction Operator to allocate the available Interconnection Capacity starting from the 1st of September till the 31st of December 2007, with regard to the interconnections between Slovenia and Italy in both directions.

The allocation regulated in these Auction Rules refers to available Interconnection Capacity not assigned yet for 2007. The Capacity already assigned by TERNA for 2007 on the Italian-Slovenian interconnection still follows the "Slovenia-Italy and Switzerland –Italy interconnection capacity access rules 2007" (Version 1.0 published on Terna web site) except what is set in this Regulation.

The available Interconnection Capacity is offered by the Auction Operator in form of Physical Transmission Rights (PTRs). The auctioning of Interconnection Capacity is not a commercially motivated activity but one aimed at providing a transparent market based method of congestion management. The importance of the interconnections for the liberalization of the EU electricity market requires a strict policy with regard to the collection of payments and default consequences.

1.02. Auction Procedure

For the allocation of Available Capacity on the Slovenia-Italy Interconnection for the period September-December 2007:

- ELES operates, as Auction Operator, the Auction of PTRs for the export direction from Slovenia to Italy on behalf of both TSOs;
- TERNA operates, as Auction Operator, the Auction of PTRs for the export direction from Italy to Slovenia on behalf of both TSOs.

All relevant information is made available on the Auction Websites according to Article 2.07.

1.03. General aspects of – Auction Rules

These Auction Rules describe (among other aspects) the requirements that Users must fulfil to participate in the Yearly, Monthly and Daily Auctions, the Auction proceedings, the awarding of PTRs, the conditions to access Secondary PTR Market and the utilisation of Interconnection Capacity.

Article 9.02 contains a limitation of liability. As a matter of fact, this liability limitation is in line with all relevant national and European legislation. These Auction Rules, in particular, are handling the allocation of Yearly, Monthly and Daily Interconnection Capacities on the Slovenia-Italy Interconnection. The Auction Rules may be amended by ELES and TERNA along the way in order to improve or clarify provisions and procedures and to fill gaps according to Article 9.07.

1.04. Legal qualification of the awarding of PTRs pursuant to an Auction

The auctioning is in respect of Interconnection Capacity only. The auctioning and awarding of PTRs and the financial settlement of the Auction results do not involve energy transports or any rights, liabilities or financial aspects pertaining to energy transports. PTR holders can invoke vis-à-vis ELES or TERNA no

other right than that Interconnection Capacity is made available to them subject to the provisions in these Auction Rules.

A successful Bid for Interconnection Capacity commits ELES, TERNA and the User to fulfil their respective duties. ELES and TERNA are obliged to make Interconnection Capacity for electric energy transfer available to the PTR holder while the PTR holder is under the obligation to pay the Interconnection Capacity Price to ELES for the allocation of capacity in direction from Slovenia to Italy and to TERNA for the allocation of capacity in direction from Italy to Slovenia.

1.05. Collection of debts / waiver of right to compensate

TERNA, as Auction Operator, collects on behalf of both TSOs all debts resulting from the Auction of PTRs in direction from Italy to Slovenia.

ELES, as Auction Operator, collects on behalf of both TSOs all debts resulting from the Auction of PTRs in direction from Slovenia to Italy.

Although ELES and TERNA collect these payments on behalf and in the name of both TSOs, Users accept by participating in the Auctions that they can only be discharged of their debts through payment to the appropriate TSO (either to ELES for PTRs in direction from Slovenia to Italy or to TERNA for PTRs in direction from Italy to Slovenia) and that payment of a debt to the other TSO will not release them from this obligation. Moreover, as payment by compensation would thwart the administrative structure of the co-operation between both TSOs, Users waive the right to offset any debts that arise in connection with an Auction to claims that those Users have on a TSO, whether or not arising out of an Auction (see Article 8.03).

Section II. General

Article 2.01 Definitions

Advance Payment Invoice	The invoice issued to the PTR holder directly after the conclusion of the Yearly and/or Monthly Auction, which must be settled no later than two (2) days before the publication of auction specifications for the next auction.
Auction Administrator:	Company operating the Auction Tool/Auction System.
Auction Operator:	ELES operates Yearly, Monthly and Daily Auctions of PTRs from Slovenia to Italy. ELES is referred to as Auction Operator for Yearly, Monthly and Daily Auctions in the direction from Slovenia to Italy. TERNA operates Daily Auctions of PTRs from Italy to Slovenia. TERNA is referred to as Auction Operator for Daily Auctions in the direction from Italy to Slovenia.
Auction Rules:	Herewith Auction Rules.
Auction Specification:	Information on the Auction provided on the Auction Website.
Auction Tool:	IT system used by TERNA to receive Bids from Users, process them and return the results of the Auction.
Auction System:	IT system used by ELES to receive Bids from Users, process them and return the results of the Auction.
Auction Website:	Websites of the TSOs referred to in Article 2.06 of these - Auction Rules.
Auction:	Yearly, Monthly and/or Daily Auction held under these Auction Rules.
Auctioning Day:	All calendar days, on which Auctions take place. Bids can be submitted on this day.

Bank Guarantee:	<p>Bail in form of an irrevocable and directly enforceable bank guarantee valid for a limited period waiving any exceptions or set-offs.</p> <p>The Italian Bank Guarantee must be subject to Italian law and be provided by a major bank with a registered office located in Italy.</p> <p>The Slovenian Bank Guarantee must be subject to Slovenian law and be provided by a major bank with a registered office located in Slovenia.</p>
Beneficiary:	A User that acquires a PTR as a result of a PTR Transfer.
Bid File:	File including all Bids submitted to TERNA, acting as Auction Operator, by a User for a given Auction in electronic form.
Bid:	A Bid in Euro (€) per MWh for a PTR, submitted by a User for a Yearly, Monthly and/or Daily Auction which complies with the requirements of these Auction Rules.
Block:	A quantity of MW made available at Auction over a range of hourly periods and/or a range of days.
Clearing Price:	Price expressed Euro (€) per MWh charged to PTR holders for PTRs resulting from an Auction.
Congestion Management Rules on the Italian Interconnection:	Rules describing the provisions governing congestions management on the interconnection grid, including also application procedures, terms and conditions to assign virtual production/consumption units to the signatory of Dispatching Contract. These rules are issued by TERNA and displayed on its website.
Counterparty:	Refers to a legal entity designated by the PTR holder/Beneficiary as his counterparty according to the Auction Rules.
Daily Auction:	PTR auctioning for the respective following day.
Day of Execution:	Day on which electricity transports using the PTR obtained in an Auction take place.

Daily Interconnection Capacity:	Part of Interconnection Capacity to be allocated in the Daily Auction in form of PTRs.
Dispatching Contract:	Contract which sets out rights and obligations related to the dispatching service according to the Italian Regulator (AEEG).
ELES:	ELEKTRO-SLOVENIJA, d.o.o. ("ELES") with registered office in 1001 Ljubljana, Hajdrihova 2, Slovenija. ELES is the Slovenian Transmission System Operator.
ETSO Scheduling System	IT System used by ELES for Scheduling, Nomination and Transfer of PTR.
Interconnection Capacity Price:	Price, expressed in Euro (€) per MWh payable by a PTR holder as a result of the successful Bid in the Auction.
Interconnection Capacity:	The available cross-border electric energy transfer capacity on the interconnections between Slovenia and Italy.
Monthly Auction:	PTR auctioning for the respective following month.
Monthly Interconnection Capacity:	Part of Interconnection Capacity to be allocated in the Monthly Auction in form of PTRs.
Nomination:	Notification to the TSOs by a PTR holder and his Counterparty of his schedules relating to the power expressed in integer value of MW which he wants to use within the capacity defined by the PTRs awarded to him.
Notification File:	File transmitted to Terna by a PTR holder in the context of Secondary PTR Market.
Net Transfer Capacity ("NTC"):	The maximum exchange program between two control areas compatible with security standards applicable in both areas and taking into account the technical uncertainties on future network conditions.
Physical Transmission Right (PTR):	Right to use Interconnection Capacity for electricity transfers expressed in MW.

Product:	A Block or set of Blocks in a form of PTRs sold through an Auction.
Product Code	Unique code that identifies product traded at Auction.
PTR holder:	User which has obtained a PTR in the Auction or via Secondary PTR Market.
PTR Transfer:	Mechanism by which a PTR holder may transfer a PTR to User.
PTR Resale:	Mechanism by which a PTR holder may resale PTR back to the TSO.
Reseller:	A PTR holder that resells PTR to Monthly or Daily Auction in respect of a Resale Notification.
Secondary PTR Market:	Mechanism that permits transfer and resale by a PTR holder of the PTRs acquired at Yearly, or Monthly Auctions according to this Auction Rules.
TERNA:	TERNA with registered office at Via Arno 64, 00198 Roma Italy and commercial register number 05779661007– the Italian transmission system operator and Auction Operator according to these Rules.
Transfer Notification:	Mechanism and information transmission process between a PTR holder and TSOs defined in Article 6.01.
Transferor:	PTR holder that effectuates a PTR Transfer.
User:	Legal entity, which participates in, intends to participate in or has participated in an Auction and/or Secondary PTR Market.
Yearly Auction:	PTR auctioning for the following year period from 1 st of September through 31 st of December 2007 of a calendar year.
Yearly Interconnection Capacity allocated by ELES:	Part of Interconnection Capacity to be allocated in the Yearly Auction in form of PTRs.
Yearly Interconnection Capacity allocated by TERNA:	Yearly Capacity already assigned by TERNA for 2007

Article 2.02 Yearly, Monthly and Daily Auctions

Separate Auctions are held for PTRs in each direction from Slovenia to Italy and from Italy to Slovenia.

The following Auctions take place from Slovenia to Italy:

- a. Yearly Auctions in respect of PTRs for annual electricity transports from 1st of September through 31st of December 2007;
- b. Monthly Auctions in respect of PTRs for Monthly electricity transports from the first through the last day of a calendar month;
- c. Daily Auctions in respect of PTRs for Day ahead electricity transports;

The following Auctions take place from Italy to Slovenia:

- a. Daily Auctions in respect of PTRs for Day ahead electricity transports;

Article 2.03 Interconnection Capacity for Yearly, Monthly and Daily Auctions

1. The Interconnection Capacity for auctioning in form of PTRs is the interconnection capacity available at the border between Slovenia and Italy according to the criteria defined by ETSO and agreed via Pentilateral Agreement.
2. The Interconnection Capacity is published on the Auction Websites.
3. PTRs acquired through Yearly Auctions - that are not paid or that have been called off (even if referring to previous allocation made by Terna) or that are not allocated yet – shall increase the Monthly Interconnection Capacity and be part of the Monthly Auctions.
4. PTRs acquired through Monthly Auctions that are not paid or that have been called off or that are not allocated yet shall increase the Daily Interconnection Capacity and be part of the Daily Auction.
5. Users will be timely informed by publication on the Auction Websites of the Interconnection Capacity for each Auction.

NTC values on the Slovenia to Italy interconnection

Indicative -not binding values	Direction from Slovenia to Italy			
	Winter (MW)		Summer(MW)	
Periods	7h-23h	23h-7h	7h-23h	23h-7h
Monday until Saturday	430	395	330	310
Sunday and holidays	395	395	300	310

Where:

- Winter period includes the following months: January, February, March, April, October, November and December, including particular conditions if necessary, defined in the Auction Specifications
- Summer period includes the following months: May, June, July, August and September, including particular conditions for August or other month, if necessary, defined in the Auction Specifications.
- Holidays are the Italian holidays.

Article 2.04 Basis on which Interconnection Capacity is offered

(1) PTRs are offered in units of 1 MW

(2) For Yearly, Monthly and Daily Auctions, PTRs are offered as Products defined by TSOs, published on the Auction Website in accordance with this Auction Rules.

Article 2.05 Firmness of PTRs and Guarantee of schedules

1. For Yearly and Monthly Auctions, PTRs are offered on a firm basis except for the cases where curtailments are necessary due to circumstances that constitute Force Majeure or if safe network operation can only be secured by curtailing PTRs after all other available measures are taken into account according to relevant national and European legislation. Only in case of PTR curtailments for network security reason, the PTR holder is compensated at 100% of the total payments effectuated for the hours of curtailed PTRs. However, PTR curtailment is allowed up to 35 equivalent days. PTRs acquired through Yearly and Monthly Auctions are curtailed on a 'pro rata' basis.
2. For Daily Auctions PTRs are offered on a firm basis except for the cases where curtailments are necessary due to circumstances that constitute Force Majeure.
3. In the event of a failure to make Interconnection Capacity available to the extent PTRs are offered firm, the TSOs shall only be obliged to pay a refund in accordance with paragraph (1) or (2). TSOs shall not be liable to a PTR holder for any incidental, indirect or consequential damages caused by such failure.

Article 2.06 Auction Website

Each TSO maintains as a part of his website a website designated for Auctions. On this Auction Websites the following publications are made:

- a. Auction Rules, and any alterations thereof;
- b. announcements pursuant to these Rules;
- c. Auction Specifications;
- d. names, fax and telephone number(s) e-mail address(es) of contact persons of TSOs;
- e. formats of documents related to the Auction to be downloaded and used by Users;
- f. net Transfer Capacities values on the Slovenian/Italian interconnection according to ETSO definition;
- g. results of an Auction (Clearing Price, quantity for all products);
- h. aggregated Nominations;
- i. number of User with successful Bids and overall number of Users
- j. programmed curtailments;
- k. indicative calendars for Yearly and Monthly Auctions;
- l. any other relevant information.

Article 2.07 Conduct of Users

(1) Prior to, during and after an Auction, Users must refrain from any action or behaviour which adversely affects or threatens to adversely affect competition in the bidding proceedings or which aims at gaming or which in any other way disrupts or threatens to disrupt the Auction proceedings, or the transparency, cost-effectiveness or fairness thereof.

(2) ELES and TERN, respectively as Auction Operators, on the Interconnection between Slovenia and Italy, are separately entitled to warn, in consultation with the competent regulators, those who act or behave or have acted or behaved in violation of the first paragraph, who misuse any right or position obtained pursuant to an Auction or who do not comply with any other provision of these Auction Rules.

Article 2.08 Currency

Financial securities, price settlement and payments with respect of the Auction as well as financial information are made in Euro (€).

Section III. Participation requirements

Article 3.01 Registration requirements

- (1) User must register with both of the TSOs by submitting a completed statement of acceptance form given in ANNEX I.
- (2) The statement of acceptance has an undetermined duration, notwithstanding the obligation for the User to inform TSOs forthwith of any changes and notwithstanding the right of TSOs to request a renewal of the registration and/or the documents to be submitted.
- (3) By signing the statement of acceptance, the User undertakes to comply with all the provisions contained in the Auction Rules.

Article 3.02 Financial guarantees

As prerequisite for participation in the Allocation Mechanisms, the User has to fill the ANNEX VI to apply for participation to the Auctions in one or two directions and fulfil the following requirements.

a. Auctions in direction from Italy to Slovenia

Users who want to participate to Terna's allocations only (case b.1) in the ANNEX VI), are required to provide TERNA with an Italian Bank Guarantee covering all outstanding debts resulting from the Auction of PTRs from Italy to Slovenia.

The Italian Bank Guarantee must be issued by a credit institution according to the model supplied in ANNEX II.

The minimum amount of the Bank Guarantee is Fifty thousand (50 000) Euros.

If this amount is not sufficient to cover outstanding debts, TERNA will ask the PTR holder to increase the amount of his guarantee within 10 working days.

If the PTR holder does not fulfil the request, he will not be able to participate in the next Auction.

The User may not participate in the Auction during the 90 calendar days preceding the expiry date of his Italian Bank Guarantee, unless he has first provided TERNA with a new Italian Bank Guarantee with a longer validity period. This new Italian Bank Guarantee must have been accepted by TERNA.

b. Auctions in direction from Slovenia to Italy

Yearly and Monthly Auctions will be settled monthly, directly on to the transaction account of ELES on the basis of an advance payment invoice. The User must settle the liabilities arising from his advance payment invoice respectively:

- For Yearly PTRs: not later than two (2) working days before the date of publication of Auction Specification for PTRs referred to the same month of the not settled Monthly PTRs;
- for Monthly PTRs: not later than two (2) working days before the date of publication of Auction Specification for Daily PTRs referred to the same month of the not settled Monthly PTRs..

Users who want to participate to ELES's daily allocation only (case a.3 in the ANNEX VI):

- will be provided with the balance sub account opened by ELES in the name of the User for settlement of liabilities.

or, alternatively

- are required to provide ELES with a Bank Guarantee covering all outstanding debts resulting from the Daily Auctions.

The minimum amount of the Bank Guarantee is Fifty thousand (50 000) Euros. User's bidding ability at specific Auction depends of the current level of his Bank Guarantee. The amount of the Bank Guarantee is adjusted by the User.

In order to participate at the Auction the User has to provide sufficient funds on his deposit sub account or Bank Guarantee before the start of the Daily Auction. With every Bid inserted in to the Auction System by User, application will automatically check sufficiency of funds on the deposit sub account/Bank Guarantee. User's bidding ability at specific Auction depends of the current level of funds on his deposit sub account/Bank Guarantee.

If the User wants to participate to the allocations in both directions, he will have to fulfil both requirements of points a) and b).

Article 3.03 Requirements in respect of grid access

In order to participate in the Auctions, the User:

- must have signed a Dispatching Contract and be compliant with the Congestion Management Rules on the Italian Interconnection published on Terna website

or

- must be a Balance Responsible Party or must have signed a Contract for settlement of imbalances with the Balance Responsible Party in Slovenia;

and

- must have the same registered EIC code with both TSOs.

For daily Auctions, the User must be compliant with all the above requirements.

Section IV. Auction proceedings

Article 4.01 Auctions Specification

(1) The Auction Specifications are displayed on the Auction Website:

- a) No later than 7 days before the start of the Yearly Auctions;
- b) No later than 5 days before the start of the Monthly Auctions;
- c) The Auction Operator will publish the indicative ATC values on the direction from Slovenia to Italy no later than 06:00 pm of D-2. The final daily ATC is published after the netting process, around 07:15 am of D-1.

(2) The Auction Specification consists of information regarding:

- Products made available for Auctions:
 - a. Annual Product: base load, base load without August, peak load;
 - b. Monthly Product: base load and peak-load;
 - c. Daily Product: hourly products;
- Auctions time table;

- Interconnection Capacity;
- Gate openings and closures;
- Timeframe for results publication;
- Deadline to contest results;
- Other information.

(3) Some information provided with the Auction Specification may be modified during the year and updated on the Auction Website.

Article 4.02 Yearly, Monthly and Daily Auctions on the Interconnection between Slovenia and Italy

(1) Yearly Auction on the Interconnection in the direction from Slovenia to Italy

ELES, as Auction Operator, will perform the joint allocation of available Yearly Interconnection Capacity from Slovenia to Italy.

Yearly Interconnection Capacity is published in the Auction Specifications on the Auction Websites seven (7) days before the start of the Yearly Auction.

- a. Only those Bids submitted by Users, which meet the requirements of the Auction Rules in particular, those of Article 4.03 and Article 4.04 shall be considered in the Auction.
- b. Each User is informed of the outcome of his Bid(s) no later than 30 minutes after the conclusion of the Yearly Auction. The results of the Auctions are announced on the Auction Websites shortly after the Users have been informed individually.
- c. Detailed information about the Yearly Auction is published in Auctions Specifications according to Article 4.01.

(2) Monthly Auction on the Interconnection in the direction from Slovenia to Italy

ELES, as Auction Operator, will perform the joint allocation of available Monthly Interconnection Capacity from Slovenia to Italy.

Monthly Interconnection Capacity is published in the Auction Specifications on the Auction Websites five (5) days before the start of the Monthly Auction.

- a. Only those Bids submitted by Users, which meet the requirements of the Auction Rules in particular, those of Article 4.03 and Article 4.04 shall be considered in the Auction. The Monthly Interconnection Capacity will consist of:
 - the Monthly Interconnection Capacity resulting from the Monthly ATC;
 - The Yearly Interconnection Capacity allocated by ELES to be resold via Secondary PTR Market as Monthly products;
 - The Yearly Interconnection Capacity allocated by TERNAL to be resold via Secondary PTR Market as Monthly products;
 - the Yearly Interconnection Capacity allocated by ELES which has not been paid.

- b. Each User is informed of the outcome of his Bid(s) no later than 30 minutes after the conclusion of the Monthly Auction. The results of the Auctions are announced on the Auction Websites shortly after the Users have been informed individually.
- c. Detailed information about the Monthly Auction is published in Auctions Specifications according to Article 4.01.

(3) Daily Auctions on the Interconnection between Slovenia and Italy

a. Daily Auctions from Italy to Slovenia

TERNA, as Auction Operator, will perform the joint allocation of available Interconnection Capacity from Italy to Slovenia, five (5) days a week.

- a. Daily Interconnection Capacity is published on the Auction Websites at 01:00 pm on the D-2.
- b. Daily Auctions are held at 02:00 pm of the second day preceding the Day of Execution (D-2); Thursday for the following Saturday, Sunday and Monday; Friday for the following Tuesday.
- c. Bids must have reached TERNA, as Auction Operator, before 03:00 pm on the D-2.
- d. Only those Bids submitted by Users, which meet the requirements of the Auction Rules, in particular those of Article 4.03 and Article 4.04 shall be considered in the Auction.
- e. Each User is informed of the outcome of his Bid(s) shortly after 03:00 pm and no later than 4:00 pm on the D-2. The results of the Auctions are announced on the Auction Websites shortly after the Users have been informed individually.
- f. The above time schedules may be jointly modified by both TSOs acting as Auctions Operators via Auctions Specifications.
- g. The PTRs allocated by TERNA will be construed as automatically Nominated (obligatory use of capacity allocated).

b. Daily Auctions from Slovenia to Italy

ELES, as Auction Operator, will perform the joint allocation of available Interconnection Capacity from Slovenia to Italy, on a daily basis except for Saturdays, Sundays and public holidays.

- a. The indicative Interconnection Capacity available for a Daily Auction is published on the Auction Website no later than 06:00 pm the day before the Auctioning Day is taking into account. Final Interconnection capacity is published after the netting process approximately at 07:15 am on D-1. The Daily Interconnection Capacity will consist of:
 - the Daily Interconnection Capacity resulting from the Daily Auctions in direction from Italy to Slovenia;
 - The Yearly and Monthly Interconnection Capacity allocated by ELES to be resold via Secondary PTR Market as daily products;
 - The Yearly and Monthly Interconnection Capacity allocated by TERNA to be resold via Secondary PTR Market as daily products;

- the Yearly and Monthly Interconnection Capacity allocated by ELES which has not been paid or not nominated;
 - the Yearly Interconnection Capacity allocated by TERNA which has not been paid or not nominated.
- b. Daily Auctions are held on the last working day preceding the Day of Execution.
 - c. Bids must be submitted to ELES Auction System between 07:45 am and 08:15 am on the D-1.
 - d. Only those Bids submitted by Users, which meet the requirements of the Auction Rules, in particular, those of Article 4.03 and Article 4.04 shall be considered in the Auction.
 - e. Each User is informed of the outcome of his Bid(s) no later than 30 minutes after the conclusion of the Daily Auction. The results of the Auctions are announced on the Auction Websites shortly after.
 - f. The above time schedules may be jointly modified by both TSOs acting as Auctions Operators via Auctions Specifications.

Article 4.03 Format of Bids and Bid limitation

1. Bids for Auctions in direction from Italy to Slovenia organized by TERNA, acting as Auction Operator, are submitted via Bid file for Auctions. Each User may submit a Bid File with a maximum of 10 Bids.
In all Auctions, for each Bid the requested Interconnection Capacity must not exceed the overall Interconnection Capacity available for the respective Auction.
2. Bids for Auctions in direction from Slovenia to Italy organized by ELES, acting as Auction Operator, are submitted directly through Auction System. The number of bids send via Auction System is not limited.

Article 4.04 Submission of Bids for Yearly, Monthly and Daily Auctions

a. Submission of Bids for Daily Auctions organized by TERNA, acting as Auction Operator

The User submits his Bid File via the Auction Tool in accordance with the formats defined in ANNEX IV Bids not submitted in the required format will not be taken into account.

Bids give rise to functional acknowledgement of receipt. If the functional acknowledgement of receipt is not issued, the Bid in question is deemed not to have been submitted.

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

- a. The value of the Bid in €/MWh (max. two decimals);
- b. The amount, in Blocks of integer quantity (MW) minimum 1 MW, of the required Interconnection Capacity.

The Auction Tool enables Users to submit a Bid file for a given Auction. The User accesses the Tool according to the conditions set out in ANNEX V.

If the above specified Bid submission conditions cannot be implemented for a given Auction, TERNA Notifies the User, by e-mail and via the Auction Tool or by fax, of the switch to downgraded mode. The TSOs will also publish information on their Auction Websites, if available.

The notification of the switch to downgraded mode indicates which of the types of downgraded mode defined in ANNEX V has been adopted, and the new Auction Specifications that apply.

TERNA, may under no circumstances be held responsible if it is unable to contact the Users via the channels above, or if it is unable to publish an announcement on the Auction Websites.

Bids submitted prior to the switch to downgraded mode are deemed invalid and must be submitted again according to the conditions stipulated in the event of downgraded mode being adopted.

If the conditions stipulated in the event of downgraded mode being adopted cannot be implemented in time for a given Auction, that Auction is cancelled and all Bids already submitted are automatically cancelled.

b. Submission of Bids for Yearly, Monthly and Daily Auctions organized by ELES, acting as Auction Operator

The User submits a Bid via Auction System held by ELES. On a particular auction date, only Bids for PTR products, which are the subject of the Auction, can be submitted.

The Auction Operator may delete a Bid by a particular User in the Auction, if it was not submitted in accordance with these Auction Rules. In case the Auction Operator deletes a certain Bid, it shall inform the User thereof before or after such action.

Users may submit only limited or All or Nothing Bids. Limited Bids shall be those Bids, in which the User sets the highest acceptable price for PTRs. All or Nothing bid can only be executed in the exact amount specified in the Bid.

Any bid shall include the following information:

- Identification number of the User;
- Product code;
- Maximum quantity in MW, rounded to one (1) MW;
- Net price excluding VAT, given in €/MWh. The price must be rounded to maximum of two decimal and shall not be equal or less than zero.

Time of receipt of a Bid on the Auction shall be the time stamp assigned by the Auction Operators Auction System upon entering of the Bid.

Users do not have the option to view the Bid Register, during the Auction they only see their own Bids.

Auction Operator does not see the prices in Bid Register during the Auction.

If the above specified Bid submission conditions cannot be implemented for a given Auction, ELES Notifies the User, by telephone, fax or e-mail, of the switch to downgraded mode according to the Article 6.03. ELES may under no circumstances be held responsible if it is unable to contact the Users via the channels above.

In case of technical difficulties on the side of User, his bids may be sent by fax to the Auction Operator on the prescribed form. Only those bids received by the Auction Operator at least 15 minutes before the close of an auction shall be valid.

The prescribed form and fax number are displayed on the web pages of the Auction Operator. The Auction Operator shall enter the received bids in the Auction System, by virtue of which each bid shall be assigned a time stamp and shall become effective. User may, for an individual auction for a specific border, send only one form with not more than one (1) bid for an individual product.

Section V. Determination of Auction results

Article 5.01 Awarding of PTRs

The Interconnection Capacity available for Auctions is auctioned in each direction jointly by the TSOs under uniform terms and conditions (i.e. one Clearing Price for each transfer direction) in form of PTRs.

The TSOs, acting as Auction Operators, classify all Bids received as follows:

a. Case 1:

If the sum of all Bids submitted for a given Auction falls short of or equals the total Interconnection Capacity, no Clearing Price is charged to the PTR holder.

b. Case 2:

- Auctions in direction Slovenia to Italy

If the sum of all Bids submitted for a given Auction strictly exceeds the Interconnection Capacity, a Clearing Price is charged to the PTR holder. For this purpose, the Bids are sorted out by the criterion price/time stamp, starting with the highest price and ending with the lowest one. Should several bids have the same price, the priority shall be given to Bids with earlier time stamp.

The requested Interconnection Capacities of the Bids are added up. Up to the Bid (marginal Bid), which represents the level above which the sum of the Interconnection Capacity requested by the Users strictly exceeds the Interconnection Capacity. Each User receives the Interconnection Capacity requested at the price of this marginal Bid in form of a PTR. In cases where several Bids have the same price, the priority shall be given to Bids with earlier time stamp.

The Clearing Price determined according to the above principle is used as a basis for calculating the charges for Interconnection Capacity Price and apply to all PTR holders.

PTRs are considered to have been awarded to a successful PTR holder at the moment that PTR holder has been informed by the respective Auction Operator.

- Auctions in direction Italy to Slovenia

If the sum of all Bids submitted for a given Auction strictly exceeds the Interconnection Capacity, a Clearing Price is charged to the PTR holder. For this purpose, the Bids are sorted out by the prices offered, starting with the highest price and ending with the lowest one.

The requested Interconnection Capacities of the Bids are added up. Up to the Bid (marginal Bid), which represents the level above which the sum of the Interconnection Capacity requested by the Users strictly exceeds the Interconnection Capacity, each User receives the Interconnection Capacity requested at the price of this marginal Bid in form of a PTR. The remaining Interconnection Capacity is allocated to the marginal Bid. If the Interconnection Capacity is reached with several Bids of the same price, the remaining Interconnection Capacity is distributed pro-rata in proportion to the requested Interconnection Capacity of the Bids.

The Clearing Price determined according to the above principle is used as a basis for calculating the charges for Interconnection Capacity Price and apply to all PTR holders.

The PTRs granted by TERNA in Daily Auction in direction from Italy to Slovenia will be considered automatically nominated on the border (obligatory use of capacity allocated), as set forth in Article 4.02, point (3) a, letter g.

PTRs are considered to have been awarded to a successful PTR holder at the moment that PTR holder has been informed by the respective Auction Operator.

Article 5.02 Notification of Auction results

After the Auctions, each PTR holder is informed of its results via Auction System and via Auction Tool.

The results of Auctions are published on the Auction Website, according to the deadline and containing the details indicated in the Auction Specification (see Article 4.02).

If the Auction Website or the Auction Tool are unavailable, PTR holders are informed of the results of the Auction *via* other means of communication.

Article 5.03 Deadline for contesting results

The PTR holder may contest the Auction results according to the conditions and within the deadline specified in the Auction Specifications.

The Auction Operator shall reply to the PTR holder no later than the deadline indicated in the Auction Specifications.

If the PTR holder does not contest the Auction result within the deadline and under the condition specified in the Auction Specifications, the PTR holder loses the right to contest.

Section VI. Secondary PTR Market

ELES operates the Secondary PTR Market in direction from Slovenia to Italy on behalf of both TSOs via the Auction System, for Yearly and Monthly PTRs allocated by ELES.

TERNA operates the Secondary PTR Market in direction from Slovenia to Italy on behalf of both TSOs via fax according to ANNEX IX and ANNEX X, for Yearly PTRs allocated by TERNA.

Article 6.01 PTR Transfers

a. Characteristics of PTR Transfers

PTRs allocated through Yearly and Monthly Auctions or resulting from PTR Transfer may be transferred by a Transferor to a Beneficiary.

The PTRs Transferred must be indicated without taking account of any programmed curtailment, such as those described in Article 2.05.

TSOs reserve the possibility of applying the conditions defined in Article 2.05 in the event of curtailments.

Beneficiary transferred PTRs can only be the User that fulfils all the conditions specified in the Section III of these Auction Rules.

The minimum volume for a PTR Transfer is 1 MW over 1 hour.

b. Financial arrangements

Transfer of Capacity is allowed if all liabilities resulting from the auction of PTR that is a subject of Transfer is settled by Transferor.

The Transferor remains responsible of the Interconnection Capacity Price for the PTRs Transfers without any additional fee.

In case of curtailment, eventual indemnification according Article 2.05 shall be in favour of the Beneficiary.

c. Transfer Notification for PTRs in direction from Slovenia to Italy

Transfer Notifications for yearly and monthly PTRs assigned by ELES must be notified to ELES via ETSO Scheduling System or exceptionally via fax.

Transfer Notifications for yearly PTRs assigned by TERNA must be notified to TERNA via fax using the ANNEX IX as application form.

A Transferor may ask ELES/TERNA to cancel a PTR Transfer. The cancellation is accepted under the following conditions:

- The Beneficiary is, at the time of the cancellation, PTR holder of at least the same amount of PTRs as in the Transfer Notification to be cancelled;
- The cancellation notification respects the same deadlines as a Transfer Notification, listed below, for the same transfer period.

A PTR Transfer accepted by ELES/TERNA may be cancelled and replaced by a new PTR Transfer if:

- The Transferor asks ELES/TERNA to cancel the PTR Transfer, according to the conditions stipulated above;

- The Transferor then notifies a new PTR Transfer in accordance with the present Article;
- This Transfer Notification is subjected to checks by both TSOs.

Deadline for Transfer Notification for PTR allocated in direction from Slovenia to Italy:

- Yearly, Monthly PTRs: D-3 till 12h00 working day (D: Day of Execution);

Article 6.02 PTR Resale

- Characteristics of PTR Resale

PTRs allocated by ELES through Yearly Auctions or resulting from PTR Transfer may be resold at Monthly or Daily Auctions.

PTRs allocated by ELES through Monthly Auctions or resulting from PTR Transfer may be resold at Daily Auctions.

PTRs allocated by TERNA through Yearly Auctions or resulting from PTR Transfer of PTRs assigned on yearly basis by TERNA may be resold at Monthly or Daily Auctions.

Minimum PTR that can be returned to TSOs:

- Yearly PTR can be returned as: Monthly product of the same type (base PTRs as base ones and peak PTRs as peak ones even if for a shorter period).
- Yearly and Monthly PTR can be returned as: Daily hourly PTRs.
- Daily product: resale is not possible.

The PTR Resale must be indicated without taking account of any programmed curtailment, such as those described in Article 2.05.

ELES and/or TERNA reserve the possibility of applying the conditions defined in Article 2.05

In the event of curtailments before a Monthly and Daily Auction, PTR Resale is reduced proportionally throughout the complete period concerned by the PTR Resale.

- Financial arrangements

User that resells Allocated Capacities to the TSO is entitled to financial compensation for the amount of the Clearing Price set at the new Auction.

ELES is entitled to make financial compensation also for Yearly PTRs allocated by TERNA.

- Notification of Resale in direction from Slovenia to Italy

Resale Notifications for yearly and monthly PTRs assigned by ELES must be notified to ELES via ETSO Scheduling System or exceptionally via fax.

Resale Notifications for yearly PTRs assigned by TERNA must be notified to TERNA via fax using the ANNEX X as application form.

PTRs have to be returned to the TSOs at least two (2) working days before the dead line for publication of Auction Specifications for Yearly, Monthly and/or Daily auction in accordance with these Auction Rules.

Article 6.03 Exceptional Circumstances

Exceptional circumstances shall be serious disturbance to the functioning of the IT System or devices

used by the Auction Operator;

Exceptional circumstances may be the reason for changing, cancelling or suspending an Auction. In case of exceptional circumstances, the Auction Operator shall on the basis of internal regulations decide on necessary measures and forthwith inform all Users via telephone, fax or e-mail of the switch to downgraded mode. The TSOs will also publish information on their Auction Websites, if available.

If postponement of the Auction is not possible, according to downgrade mode, the auction is conducted via Fax according to the Notification of the Auction Operator.

Bids submitted prior to the switch to downgraded mode are deemed invalid and must be submitted again according to the conditions stipulated in the event of downgraded mode being adopted.

If the conditions stipulated in the event of downgraded mode being adopted cannot be implemented in time for a given Auction, that Auction is cancelled and all Bids already submitted are automatically cancelled.

Article 6.04 Cancellation of an Auction

If an Auction relating to Secondary PTR Market should be cancelled:

- For a PTR Resale at a Monthly Auction, the Reseller may regain the PTR and thus cancel the PTR Resale. If however, the Monthly Auction is scheduled for a later date then the Resale Notifications are conserved;
- For a PTR Resale at a Daily Auction, the PTR Resale is definitively lost. The Reseller then receives indemnification up to 100% of the Clearing Price of the Auction at which the PTR was acquired. If the Reseller has initially obtained the PTR in the Secondary PTR Market, any former Transferors of this Resale PTR relinquish any compensation claims on this PTR.

Section VII. Capacity usage rules

Article 7.01 Notification of the Counterparty and PTR Nomination to TSO

Notification of the PTR holders' Counterparty to ELES and TERNA is needed for the Nomination consistency check.

The PTR holder designates his Counterparty and nominates PTRs as described in the following points.

a. Counterparty and PTR nomination for PTRs acquired through Yearly, Monthly Auctions

For PTRs Nominations from Slovenia to Italy, PTR holder can designate as his Counterparty(ies) a legal entity(ies) allowed to make nominations to the neighbouring TSOs (A-to-N).

1- Yearly and Monthly PTRs allocated by ELES in direction from Slovenia to Italy

The PTR holder/counterparty (ies) must nominate, to:

- ELES no later than 07:00 am on D-1
- TERNA according to the Italian Congestion Management Rules

2- Yearly PTRs allocated by TERNA in direction from Slovenia to Italy

The PTR holder must nominate to:

- TERNA according to the Italian Congestion Management Rules.
- The counterparty (ies) must nominate to ELES no later than 07:00 am on D-1.

The nomination made to ELES, according to Article 7.01 letters a.1, and a.2 is binding for PTR Holder and his Counterparty (ies).

In the event of a PTR Transfer, the new PTR holder must nominate his Counterparty and PTR following the above mentioned criteria.

PTRs not nominated to ELES till 07:00 am on D-1 are subject of "use it or loose it" method. PTRs that are not nominated are automatically returned to TSOs. Returned PTRs shall increase the Daily Interconnection Capacity and be a part of the Daily Auction.

b. Counterparty and PTR nomination for PTRs acquired through Daily Auctions

For PTRs Nominations from Slovenia to Italy and from Italy to Slovenia, the PTR holder will be considering himself (A to A) as Counterparty.

Nomination of PTRs acquired on the Daily Auction from Slovenia to Italy has to be done to.

- ELES no later than 02:00 pm on D-1
- TERNA according to the Italian Congestion Management Rules

PTRs acquired through Daily Auctions are subject to the "use it or loose it" principle.

The PTRs acquired on the Daily Auction from Italy to Slovenia will be construed as automatically Nominated (obligatory use of capacity allocated).

Article 7.02 Usage of PTRs acquired through Yearly, Monthly and Daily Auctions

- (1) The PTRs holder and his Counterparty, must Nominate according to the modalities defined in the Slovenian Grid Code and in the Congestion Management Rules on the Italian Interconnection.
- (2) The nomination made to ELES for Yearly and Monthly PTRs is binding for PTR holder and his Counterparty.
- (3) If no Nomination is made at all, the claim to all PTRs purchased in the Auction by the PTR holder and/or to parts thereof shall lapse ("use it or lose it" principle). Unused PTRs will be sold through the Monthly or Daily Auctions. The Auction proceeds generated in this way will not be reimbursed to the respective former PTR holder.
- (4) If no revised and valid Nomination is submitted in due time the Nomination of the PTR holder and his counterparty (ies) will be set to zero.

Section VIII. Settlement / Payment

Article 8.01 Financial Provisions

(a) Capacity Allocation via daily Auctions in direction from Italy to Slovenia

The Interconnection Capacity Prices will be billed, invoiced and accrued by late payment interest by TERNA to the PTR Holder as described below.

The PTR holder is required to pay TERNA the valuation equal to the product of:

- the Clearing Price of the Daily Auction;
- the duration in hours of the corresponding product;
- the Daily Interconnection Capacity obtained as result of the Auction.

The valuation is exclusive of tax and will be increased to include taxes and levies at the official rates in force.

(b) Issuance of invoices

No later than the 30th of each month M, TERNA sends to the PTR Holder an invoice including the amounts due for Capacity Allocated at Daily Auctions for the use during M-1.

Bids selected at Daily Auctions are invoiced all at once and grouped together on a single line per Daily Auction. The Unit Prices indicated in the invoice are therefore an average price provided as an indication only.

Invoices are sent to the PTR Holder, at the address indicated on the Statement of Acceptance.

The PTR Holder may Notify TERNA of any possible change in his invoice address. This change will take effect on the 1st Day of month M+1, on condition that Notification of this change of address has been received at least 7 Days before the end of Month M.

Issued invoices are sent in advance via fax or e-mail; in this case the delivery date will be the date resulting from sending devices.

(c) Invoice disputes

To be admissible, any claims made relative to an invoice must be notified by registered letter with acknowledgement of receipt to TERNA, within thirty (30) Days of the invoice's date of issue. Beyond this period, the invoice will be deemed to have been accepted by the PTR holder. The above-mentioned registered letter must contain a precise and detailed description of the grounds for the objection to the invoice.

(d) Payment condition

The PTR holder pays TERNA the sums invoiced within 30 days of the date of issue of the invoice, by bank transfer to the account specified in the invoice issued by TERNA.

Any bank charge relative to the settlement of the invoice is carried by the PTR holder.

(e) Late payment

Payment is deemed to have been made on the Day on which it appears on TERNA's bank statement, which is consulted every working day, provided the PTR holder has specified a correct invoice reference number.

The PTR holder is responsible for anticipating bank processing and payment registration times. TERNA will make every effort to minimise these times, but may not be held responsible if a period of two Working days elapses between the point at which the PTR holder makes payment (as defined in the paragraph above) and the point at which it is registered by TERNA.

If full payment is not received by the specified deadline, TERNA will send the PTR holder an official reminder (by Notification).

Furthermore, if payment is not received in full by the specified deadline plus fifteen (15) working Days, TERNA will invoke the Bank Guarantee by right.

(f) Interest on arrears

If the sums invoiced are not paid in full by the specified deadline, the said sums will be subject to interest without any further Notification of notice to pay being required.

The rate of interest, determined on the Day on which the invoice is sent, is equal to the interest rate applied by the European Central Bank at its most recent refinancing operation, plus 5 points.

This interest is calculated from the first Day following the expiry date, until the date on which the invoice is paid in full.

This interest will be increased to include taxes and levies in force.

Article 8.02 Settlement of Yearly, Monthly and Daily Auctions in the direction from Slovenia to Italy

The PTR Holder who fails to settle their liabilities pertaining to allocated transfer capacities will be excluded from any further auctions by the System Operator until the aforementioned participant has settled all his liabilities. In order to be again allowed to participate in the next auctions, the PTR Holder is also obliged to pay the difference, if negative, between Auction Price set on the first auction at which the capacity was allocated and the Auction Price set on the following Auctions where the capacity is once again allocated.

(a) Deposit Sub account

Coverage and financial settlement performed at the daily auctions are run through deposit sub account. Deposit sub account is a special type of bank account which is opened by the System Operator on its own

bank account for each and every participant at the auction when the latter decides to participate at the daily auctions. Deposit sub accounts are kept in Euro (EUR) currency.

Only the System Operator has a power of disposal with financial assets kept on deposit sub accounts, namely on the basis of irrevocable authorisation given by the User according to the format of ANNEX VIII which thus authorises the System Operator to dispose of these financial assets for the purposes of coverage and financial settlement arising from the auctions. The holders of deposit sub accounts are only allowed to deposit the money on their sub accounts.

Interests on financial assets kept on deposit sub accounts appertain to the holders of these sub accounts at the interest rate defined with a respective decree on interest rates in force and issued by the bank. The interests are remitted by the bank onto the deposit sub accounts of the Users on monthly basis.

In the event the deposit sub account holder wishes to withdraw financial assets or a part of the financial assets from their sub account, the bank enables them to do so after they have submitted a request previously approved by the System Operator.

After a User submits a written statement of withdrawal from cooperating at auctions and after the System Operator deprives the said User from accessing the auction system, the System Operator remits the money from the deposit sub account onto the aforementioned User's bank account.

The handling costs of the deposit sub accounts are covered by the System Operator.

(b) Coverage for daily auctions

The participants of daily auctions need to keep financial resources on their deposit sub accounts/Bank Guarantee as collateral for fulfilling the liabilities arising from allocated transfer capacities.

Before each auction, the Auction Operator needs to submit into Auction System all the information on net balance of financial assets kept on deposit sub accounts of the Users, namely by taking into account the net balance on deposit sub accounts at 6:00 am of the Auction day and disregarding any individual transfers or eventual changes in sub accounts' balance recorded after that time.

For Users who provided bank guarantee as an alternative to the use of deposit sub account, the Auction Operator submits into Auction System the amount of its bank guarantee.

The Users may place their bids at an auction; however, the amount of the said bids (together with VAT which is added by the trading application) may not exceed the balance of financial assets kept on deposit sub account/Bank Guarantee. Available coverage of the User is lowered with each submitted bid. The value of a bid which exceeds the available coverage is rejected and the participant of that auction is informed accordingly. The Users have an insight into current balance of financial assets on their deposit sub account/Bank Guarantee via trading application.

In the event the participant decides to participate at a number of auctions which are held at the same time, the bids placed at every auction – at which the participant partakes – are deducted from the available balance of financial assets kept on deposit sub account/Bank Guarantee or coverage of individual participant.

(c) Settlement for daily auctions

Settlement for daily auctions is performed after the auction gate closure. The System Operator is paid from deposit sub account appertaining to the User in the entire amount of liabilities arising from the auction in question.

User, who provided bank guarantee as an alternative to the use of deposit sub account, shall be invoiced on a weekly basis. The copy of the invoice will be sent by fax and subsequently by post. Invoices have to be paid no later than eight (8) days upon issuing.

(d) Settlement for monthly auctions

After the results of monthly auctions have been published, the System Operator shall issue an advance payment invoice to the User namely for the entire allocated period. Liabilities arising from allocated transfer capacities need to be settled by the Users within the set deadline and in the amount defined on the advance payment invoice, namely by remitting the outstanding amount onto the System Operator's bank account.

Payment deadline is set not later than two (2) working days before date of publication of Auction Specification for Daily PTRs referred to the same month of the not settled Monthly PTRs.

In the event a User fails to settle their liabilities within the set deadline, the entire transfer capacity allocated at the auction on the basis of which the advance payment invoice is issued, is deemed as unallocated and the Auction Operator shall offer such transfer capacity at future auctions.

(e) Settlement for yearly auctions

After the results of yearly auctions have been published, the system operator shall issue an advance payment invoice to all the PTR Holders of the allocated capacity. The advance payment invoices are then issued in equal monthly instalments. The first advance payment invoice is issued for the period of the first two months (September and October) while the remaining advance payment invoices are issued once a month. Liabilities arising from allocated transfer capacities need to be settled by the PTR Holder within the set deadline and in the amount defined on advance payment invoice, namely by remitting the outstanding amount onto the System Operator's bank account.

Payment deadline is set not later than two (2) working days before the date of publication of Auction Specification for PTRs referred to the same month of the not settled Monthly PTRs

In the event a PTR Holder fails to settle their liabilities within the set deadline, the entire transfer capacity allocated at the auction on the basis of which the advance payment invoice is issued, is deemed as unallocated and the Auction Operator shall offer such transfer capacity at future auctions.

Article 8.03 Exclusion of Set-off

A User is in principal not entitled to offset any debts that arise in connection with an Auction to any claim on a TSO, whether or not arising out of an Auction. Claims of the TSOs can only be set off against claims of the User which are uncontested or legally enforced.

Section IX. Miscellaneous

Article 9.01 Information / Notices

Any notice given under these Auction Rules is to be in writing and must be addressed to ELES and TERNA at the address mentioned in ANNEX III, except where these Auction Rules provide otherwise.

Article 9.02 Limitation of Liability

- (2) ELES and TERNA, either jointly or severally, shall not be liable to a User for any damages resulting from a User's participating or not being able to participate in an Auction or in a PTR Transfer or in a PTR Resale, or from the results of the Auction and/or PTR Resale and/or PTR Transfer; or from an Auction not being held and a User shall hold harmless and indemnify ELES and TERNA, jointly and severally, in respect of claims regarding such damages from third parties.
- (3) ELES and TERNA will provide the PTRs awarded by the Auction and/or the PTR Transfer and/or a PTR Resale within the scope of their possibilities. This provision is subject to the technical possibility of transmitting electricity, which can be affected by Force Majeure, unexpected external influences (e.g. extreme load flow changes) or other serious operational conditions (e.g. power plant outages on an unexpected scale). The impairment will only be remedied by technically/economically feasible and appropriate actions complying with the relevant national and international requirements.
- (4) ELES and TERNA neither guarantee the completion of the Auction nor the completion of PTR Resale and/or PTR Transfer. The Auction and/or PTR Transfer and/or PTR Resale may be interrupted especially in the event of technical problems.
- (5) ELES and TERNA shall only be liable for any damage or loss incurred by Users if it is the result of intent or gross negligence or culpable dereliction of an essential duty under these Auction Rules in a way putting the conduct of the Auction at risk. If ELES and TERNA are liable for the dereliction of an essential duty under these Auction Rules without gross negligence or intent, the liability shall be limited to direct and documented damages. This limitation of liability shall apply in the same way to any damage or losses caused by the gross negligence of employees of ELES and TERNA who are no managing directors, Executive Board members or executive staff of these companies.
- (6) In no way shall the awarding of PTRs pursuant to these Auction Rules be considered or construed to mean or imply that the User is entitled to have electricity transports carried out, or that transport failures or restrictions are or imply a failure to supply Interconnection Capacity which has been awarded in an Auction.
- (7) ELES and TERNA, either jointly or severally, do not assume responsibility for the arrival of Bids and/or Transfer Notifications and/or Resale Notifications in time nor do they warrant – although they will try to prevent to the best of their abilities – that the information contained therein, despite being treated as confidential, will not come to the knowledge of third parties.

Article 9.03 Confidentiality

The TSOs shall treat all information disclosed to themselves pursuant to these Rule as confidential and they will refrain from disclosing such information to any third party without the prior consent of the User concerned.

Paragraph (1) shall not apply to disclosure of information to European Union institutions, governmental, regulatory authorities and court having jurisdiction on the above matters insofar as such disclosure is mandatory, nor to the disclosure of information to a court-of-law or an arbitrator insofar as such disclosure is ordered by the court or the arbitrator or is necessary for supporting a claim or defending against a claim.

Article 9.04 Severability

If any part of these Auction Rules is by a public authority or court found to be invalid, illegal or unenforceable, the remaining part shall continue to be valid and enforceable to the extent permitted by law.

Article 9.05 Applicable Law and Disputes

- (1) Disputes concerning the rights and duties arising for the Auction Operator and the Users under these Auction Rules shall be settled by an ordinary court.
- (2) These Auction Rules and Auctions that take place hereunder are governed exclusively by Italian law for the allocation of Capacity from Italy to Slovenia and by Slovenian law with regard to the allocation from Slovenia to Italy.

Article 9.06 Force Majeure

A Force Majeure events shall be construed as any unforeseeable event or situation beyond the reasonable control of the Parties and not due to a fault of such Parties which cannot reasonably be avoided or overcome, and which makes it impossible for one or several Parties to fulfil, temporarily or definitively, its or their obligations hereunder in accordance with the terms of the Auction Rules.

The Party which invokes a Force Majeure event shall send the other Party notification describing the nature of the Event of Force Majeure and its probable duration.

The obligations of Parties subject to a Force Majeure event, with the exception of confidentiality obligations defined in Article 9.03, shall be suspended from the date of receipt of the aforementioned notification.

The Parties can in no circumstances be held responsible or held liable to pay any compensation for damage suffered, due to the non-performance or faulty performance of all or part of their obligations, when such non-performance or faulty performance is due to an event of Force Majeure.

The Party, which invokes a Force Majeure event, shall make every possible effort to limit the consequences and duration of the event.

If a Force Majeure Event lasts for more than thirty (30) Days, either Party may terminate its participation to Auction Rules by sending a registered mail with acknowledgement of receipt, if the event adversely affects the essential obligations of the Parties under the present Auction Rules.

Article 9.07 Amendment of Rules

These Rules are subject to the technical and legal conditions at the time of their creation. If these conditions change materially, in particular due to legal requirements, action by authorities or Rules imposed by the regulatory authority and/or agreements between the associations of the electricity industry at national or international level, or if the auctioning process is enhanced, the rules will be amended. Subject that the Users has not notified the Auction Operator of his will to terminate the Statement of Acceptance, such amended rules will become effective upon publication by the TSOs on their respective websites, after consulting with the Users and approval by the Regulatory bodies in both countries, if necessary.

ANNEX I. - Statement of acceptance

Auction Participant (User):

(Name, Position, Address)

EIC -Code-Nr.:

We hereby declare our intention to participate in the auction of available interconnection capacity for electricity transfers between Slovenia and Italy. We fulfil all participation requirements of the Slovenian Italian Interconnection Capacity Access Rules. Moreover, we have read and fully accept to abide and to be bound by all rules and regulations and IT requirements of the Slovenian-Italian Interconnection Capacity Access Rules, which have been published on the Auctions Websites.

We acknowledge that our admission to participate in the auction may be withdrawn in case regulations of the Slovenian-Italian Interconnection Capacity Access Rules are breached. We will provide all securities and guarantees required by the Slovenian-Italian Interconnection Capacity Access Rules.

Moreover, we have read and fully accept to abide and to be bound by all rules and regulations and IT requirements of the **English version of** Slovenian-Italian Interconnection Capacity Access Rules, which have been published on the Auction Operators Websites.

Date

Name and Position

Signature

ANNEX II. – Bank Guarantee

A. Italian First Demand Guarantee

To be returned to the following address:...

[]⁽¹⁾ a company incorporated under []⁽²⁾, law, its registered offices being located at [], represented by []⁽³⁾ (the “Guarantor”) undertakes, by virtue of the present document, irrevocably and unconditionally, by order and on behalf of []⁽⁴⁾, company incorporated under []⁽⁵⁾ (registration number []) (the “Originator”) to pay TERNA Rete Elettrica Nazionale SpA, limited company with capital of €....., Via....., n....., PIVA, (the “Beneficiary”), independently of the validity of the legal effects of the Statement of Acceptance, signed by the Originator (the “Agreement”), upon first demand, in accordance with the conditions below and without asserting any exception or objection, resulting from the Agreement, any sum up to a maximum amount of:

[]⁽⁶⁾,

including interest, costs and ancillary charges, (the “Guaranteed Amount”) in the event of failure by the Originator to respect any of its obligations with regard to the Auction Rules.

Modification or removal of factual or legal relations or links that may exist as of this day between the Guarantor and the Originator, may not release us from the present guarantee.

All the provisions of the present undertaking will retain their full effect, irrespective of any change in the financial or legal status of the originator.

The present guarantee may be invoked from the date of the present document until⁷ inclusive (the “Expiry Date”).

(1) Company name of the banking establishment issuing the Bank Guarantee.

(2) Nationality of applicable law.

(3) Name of the authorised representative.

(4) Company name of the User.

(5) Nationality of applicable law.

(6) Amount of the Bank Guarantee.

(7) Expiry date should be:

- the 31st of March 2008 for the guarantee covering 1/6 of all outstanding debts resulting from the Yearly Auction of PTRs from Italy to Slovenia for the year 2007.
- The last day of the third month following the month the Monthly Auction has been held for the guarantee covering all outstanding debts resulting from the Monthly Auction of PTRs from Italy to Slovenia for the year 2007.

The demand for payment must be sent to the Guarantor by registered letter with acknowledgement of receipt (the "Letter of Invocation of Guarantee"). The Guarantor must receive this letter no later than the Expiry Date.

The present guarantee will become null and void at the Expiry Date, irrespective of whether or not it has been returned to us by such date.

The Guarantor may only be released from the obligations incumbent upon it under the terms of the present guarantee before the Expiry Date, if the Beneficiary gives its written consent.

Any payment must be made within the 10 working days following receipt of the Letter of Invocation of Guarantee with the same credit value. The Guarantor will carry out this payment in compliance with the instructions contained in the Letter of Invocation of Guarantee.

Reasonable and duly justified costs relative to the present guarantee will be borne by the Guarantor.

The present guarantee is governed by Italian law. For interpretation and execution of the present document, the..... will be competent.

Done in, on.....

Signature of Guarantor

B. Slovenian Bank Guarantee

Payment guarantee No....

Name of the bank – Guarantor:

Applicant:

Beneficiary: Elektro – Slovenija, d.o.o., Ljubljana, Hajdrihova 2, Slovenia

Amount: EUR....

Expiry Date:

We ...(the Bank) have been informed that our Client (Messrs....) will participate on an Auction for available transmission capacities at the Slovene – Italian interconnection.

In accordance with the Auction Rules published on the web site www.eles.si. and as a security for their obligations a guarantee by a bank shall be furnished.

At the request of (Applicant), we(the Bank) hereby irrevocably and unconditionally undertake to pay to you on your first demand, waiving all rights of objection and defense, any amount up to a maximum of

EUR.....

upon receipt of your written request, stating that the amount claimed has fallen due and that (the Applicant) have failed to fulfil their obligations.

For the purpose of identification, your request for payment has to be presented through the intermediary of a first rate bank confirming that the signatures are legally binding upon your firm. If, in this respect, such bank will make use of swift, it will have to transmit, in any case, the full request for payment and to confirm at the same time that the original of this document, legally binding upon your firm, has been forwarded to us.

The total amount of this guarantee will be reduced by any payment effected by us hereunder.

The demand for payment must be received no later than the Expiry date. The present guarantee will become null and void at the Expiry Date, irrespective of whether or not it has been returned to us by such date.

We (the Guarantor) may only be released from the obligations under the terms of the present guarantee before the Expiry Date, if the Beneficiary gives its written consent.

Any payment must be made within the 7 working days following receipt of demand for payment.

This guarantee is governed by Slovenian law, place of jurisdiction is Ljubljana.

Signature of the Guarantor

ANNEX III. : Contacts for TERNA and ELES

TERNA

Operation Italia - Programmazione E Energy Operation

Via Arno 64,

00198 Roma - Italy

Fax: Fax: +39 06 8165.5712

Auction.office@terna.it

Elektro-Slovenia, d.o.o.

Hajdrihova 2,

1000 Ljubljana – Slovenia

Telephone Nr.: +386 1 474 2117

Fax: +386 1 474 2142

E-mail: upo.so@eles.si

ANNEX IV. - Description of TERNA Auction Tool

Users connect to the Auction Tool via Internet using the secure https protocol, by entering the address of the Auction Tool website.

Once on the Auction Tool website (<http://procedure.grtn.it>), Users must identify themselves by entering a valid username and password. Authentication details are given by the Auction Administrator following training for the User and/or its Submitters.

Once this is done, the User can access the scheduled Auctions. Bids can be submitted in two ways:

- 1) Submitting a Bid file that has already been pre-completed by the User
- 2) Downloading the Bid file corresponding to the Auction from the Auction Tool website; in this case the User must complete and submit the file to the Auction Tool.

ANNEX V. TERN A Auction tool Downgraded mode

Downgraded mode for Yearly and Monthly Auctions

- If the Auction Administrator is unable to hold Yearly and Monthly Auctions under the standard conditions stipulated, the Auction Operator Notifies the Users of the switch to Downgraded mode and indicates the Auction Specification, it being understood that, exceptionally, the Users submit by fax a Bid file including a single Bid for the Auction.

ANNEX VI. REQUEST TO PARTICIPATE TO THE AUCTIONS

In application of Statement of Acceptance, _____¹

wishes to participate in Auctions in direction:

-(a) **from Slovenia to Italy selected below:**

Case a.1 : Yearly Auction only

Case a.2 : Monthly Auction only

Case a.3 : Daily Auction

-(b) **from Italy to Slovenia selected below:**

Case b.1 : Daily Auction only

¹ Company name of the User.

ANNEX VII. Public Italian and Slovenian holidays 2007

Date:	Description:
31.10.2007	Reformation Day
01.11.2007	All Saints' Day
08.12.2007	Immaculate Conception
25.12.2007	Christmas
26.12.2007	St. Stephen's Day

ANNEX VIII. : IRREVOCABLE AUTHORIZATION

Pursuant to the provisions of the Rules on the Mode and Conditions of Cross-border Transfer Capacities Allocation dated _____ and in accordance with the rules and regulations of the system operator, Elektro-Slovenija, d.o.o.,

(company _____ name)
_____, represented by

hereby issues to

the company ELEKTRO-SLOVENIJA, d.o.o., Hajdrihova 2, 1000 Ljubljana, represented by Vitoslav Türk, M.Sc.

the following

IRREVOCABLE AUTHORIZATION

for the unrestricted disposal of funds deposited on subaccount no. SI56290000152003028_____ of deposit transaction account no. SI56290000152003028 held by ELEKTRO-SLOVENIJA, d.o.o., Hajdrihova 2, 1000 Ljubljana.

Place: _____, Date: _____

(Signature of representative of auctions participant)

ANNEX IX. : APPLICATION FORM FOR TRANSFER NOTIFICATIONS

SECONDARY MARKET: NOTIFICATION OF A CAPACITY TRANSFER

This Notification must be sent by fax (n. Fax: +39 06 8165 5661) to TERNA - Direzione Operation Italia - Dispacciamento e Conduzione - Programmazione e Energy Operations - Contratti - Estero

TRANSFEROR NAME	
TRANSFEROR'S EIC CODE	
BENEFICIARY NAME	
BENEFICIARY'S EIC CODE	
CAPACITY	From Slovenia to Italy
AUCTION	Yearly Base allocated by TERNA
TRANSFER START DATE (format: DD/MM/YYYY)	
TRANSFER END DATE (format: DD/MM/YYYY)	
HOURLY PERIOD	CAPACITY TO BE TRANSFERRED IN MW
0 - 1	
1 - 2	
2 - 3	
3 - 4	
4 - 5	
5 - 6	
6 - 7	
7 - 8	
8 - 9	
9 - 10	
10 - 11	
11 - 12	
12 - 13	
13 - 14	
14 - 15	
15 - 16	
16 - 17	
17 - 18	
18 - 19	
19 - 20	
20 - 21	
21 - 22	
22 - 23	
23 - 24	

Confirmation done by nominated companies

	Transferor	Beneficiary
Company name		
Date		
Name and Surname of signer		
Signature		

ANNEX X. : APPLICATION FORM FOR RESALE NOTIFICATIONS

SECONDARY MARKET: NOTIFICATION OF A CAPACITY RESALE

This Notification must be sent by fax (n. Fax: +39 06 8165 5661) to TERNA - Direzione Operation Italia - Dispacciamento e Conduzione - Programmazione e Energy Operations - Contratti - Estero

RESELLER NAME	
RESELLER'S EIC CODE	
AUCTION at wich the Capacity to be Resold was allocated	Yearly Base from Slovenia to Italy held by TERNA
AUCTION at wich the Capacity will be Resold	Monthly Auction from Slovenia to Italy
RESALE START DATE	
RESALE END DATE	

Date	
Name and Surname of signer	
Signature	

SECONDARY MARKET: NOTIFICATION OF A CAPACITY RESALE

This Notification must be sent by fax (n. Fax: +39 06 8165 5661) to TERNA - Direzione Operation Italia -
Dispacciamento e Conduzione - Programmazione e Energy Operations - Contratti - Estero

RESELLER NAME	
RESELLER'S EIC CODE	
AUCTION at which the Capacity to be Resold was allocated	Yearly Base from Slovenia to Italy held by TERNA
AUCTION at which the Capacity will be Resold	Daily Auction from Slovenia to Italy
RESALE START DATE	
RESALE END DATE	

HOURLY PERIOD	CAPACITY TO BE RESOLD IN MW
0 - 1	
1 - 2	
2 - 3	
3 - 4	
4 - 5	
5 - 6	
6 - 7	
7 - 8	
8 - 9	
9 - 10	
10 - 11	
11 - 12	
12 - 13	
13 - 14	
14 - 15	
15 - 16	
16 - 17	
17 - 18	
18 - 19	
19 - 20	
20 - 21	
21 - 22	
22 - 23	
23 - 24	

Date	
Name and Surname of signer	
Signature	