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# **GEORGIA CAPACITY ALLOCATION AUCTION RULES**

**AKHALTSIKHE-BORCHKA INTERCONNECTION BETWEEN  
GEORGIA AND TURKEY**

Draft, February 26, 2013

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(HIPP)

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# GEORGIA CAPACITY ALLOCATION AUCTION RULES

## AKHALTSIKHE-BORCHKA INTERCONNECTION BETWEEN GEORGIA AND TURKEY

### 1.0 INTRODUCTION

The following document (“Document”) is a draft of the “Georgia Capacity Allocation Auction Rules for the Akhaltsikhe-Borchka Interconnection between Georgia and Turkey”. The Document is referenced in the Cross Border Capacity chapter of the transmission grid code as the “Georgia Capacity Allocation Auction Rules”.

The Document is based in part on “Access Rules to Greece – Turkey Interconnection (Capacity Allocation Auction Rules) 2012”. This provided a good starting point since it was well written and involves Greece in the EU electricity market and Turkey which is the relevant neighboring country to Georgia. However, there are some differences due to the asynchronous nature of the Georgia-Turkey interconnection and due to the requirement to give priority to renewable resources in using the interconnection. These are described below.

1. The Greece-Turkey auctions are for both imports and exports during the relevant time period (month, day). In contrast, the Interconnection Operation Agreement between GSE and TEIAS refers to only exports from the exporting country in a month, based on an annual determination of which is the exporting country for that month.

There seems to be reason to examine this restriction. In a month such as March, there could be a possibility that Georgia may want to import energy at times (such as cold days before the full spring hydro energy is available) while at the same time having export transactions to Turkey for other parts of the month.

There may be value in reviewing the technical capabilities of the HVDC interconnection and to allow for both import and export schedules in a month. We also note that simultaneous imports and exports are possible. While physical flow is in one direction, contractual netting can take place to facilitate such transactions.

2. New renewable energy projects in Georgia have been granted long term interconnection capacity rights through Transmission and Dispatch Agreements. As a result, the amount of auctioned capacity will reflect ATC minus the capacity allocated to these renewable energy projects. There do not appear to be the same contractual allocations in the Greece-Turkey interconnection.

Discussions will take place among the interested parties as to the means of allocating interconnection capacity to new renewable energy projects. For the purpose of this Document and for further discussion, we assume that each new renewable resource has been granted CTRs in an amount equal to the amount of capacity it sells under an export sales agreement for that year and/or month up to the capacity of the generating plant. The auctions would offer the remaining capacity to bidders.

Again for discussion purposes, we further assume that there are three priority levels in the auctions. The first priority would be for new renewable energy projects; the second for older renewable energy projects; and the third for all other generation in Georgia. The auction process would invite all bidders to submit offers for the interconnection capacity that remains after a portion is allocated to new renewable energy projects. New renewable energy projects would be awarded capacity in the auction first, with a non-zero clearing price for this group of bidders only if the amount of requested capacity exceeded the available amount. Older renewable energy projects would be awarded capacity next, with a non-zero clearing price for this group of bidders only if requested capacity exceeded the remaining available amount. Finally, the offers of other types of generation would be evaluated and cleared in the auction process if capacity still remained. We are not aware of this priority procedure being used elsewhere so there should be careful discussion among interested parties about the approach. It may be that the allocation of CTRs to new renewable resource projects is sufficient and that auctions should not offer additional priority to renewable energy projects. The argument for this is that renewable energy projects have lower variable costs than thermal sources and therefore already have a competitive advantage for exports without the need for further priority in the auctions.

3. This document includes the concept of CTRs that are not scheduled for energy transactions cascade into shorter term auctions. For example, unscheduled annual CTRs would be offered in monthly auctions and unscheduled monthly CTRs would be offered in daily auctions. For the purpose of this draft and for further discussion, we assume that CTR holders that received CTRs through auctions may receive auction revenue from subsequent auctions (i.e. CTR holder would receive the clearing price in a daily auction of unscheduled CTRs that were obtained in a monthly auction). However, projects that are allocated CTRs outside of the auction process would not have the right to receive any auction revenue for them. Such unused CTRs would be given to the TSO at no charge for use in subsequent auctions.
4. For the purpose of this draft and further discussion, we assume that CTR holders may not sell CTRs to other entities except through the cascading process described above.
5. This document does not address electricity transit from a neighboring country through Georgia to Turkey. It assumes that a capacity allocation for transit would be established through a contracting process rather than through auctions. Those contracts would include provisions related to the priority of internal Georgian use of the interconnection as compared to the transit transactions.

An important consideration was whether the Document was consistent with the ENTSO-E “Network Code on Capacity Allocation and Congestion Management 27 September 2012” (“ENTSO-E Document”). The following points can be made in that regard. It seems that any differences can be attributed to the lack of a day ahead or intraday market in Georgia and the fact that Georgia is not yet a member of ENTSO-E.

- The ENTSO-E Document refers only to day-ahead and intraday time periods. ENTSO-E has not yet published a longer term capacity allocation document.
- The ENTSO-E Document focuses largely on price coupling and implicit capacity allocation (where market prices reflect congestion) rather than explicit allocations by way of auctions. However, explicit allocation is permitted in the ENTSO-E Document (and is the only viable alternative until an hourly market is in place in Georgia).
- The Net Transmission Capacity method for calculating capacity as contemplated is permitted.
- The Document incorporates the concept of Firm CTRs as required by the ENTSO-E Document. If the CTRs are reduced due to Force Majeure or system emergencies, the CTR holder is compensated based on the auction price in both documents.
- The Force Majeure language in the Document matches the ENTSO-E Document wording. One of the open questions seems to be how the firmness of CTRs is interpreted. In particular, is load curtailment to be employed prior to cutting CTRs? Politically, the answer is probably no but the Force Majeure language should reviewed with this question in mind.
- The ENTSO-E Document calls for national regulatory authorities to approve the terms and conditions and procedures related to capacity allocation. The Document is consistent with that approach with GNERC having regulatory authority.
- The ENTSO-E Document has many provisions related to consistency among ENTSO-E members. These include development of a common grid model, coordinated capacity calculation, etc. The Document does not address these provisions. Presumably they can be addressed through future working documents as needed.
- The ENTSO-E Document has a number of TSO-TSO coordination provisions. These include a coordinated capacity calculation, cross zonal redispatching, remedial actions, etc. For example, what will TEIAS be required to do in terms of redispatching on its side of the interconnection to keep transactions flowing? This is probably not a matter for the Document to address, but it should be a point of negotiations between GSE and TEIAS.
- The ENTSO-E Document states that the cost of guaranteeing CTR firmness should be recovered through tariffs or other mechanisms. It seems that this should be a matter to be addressed in the tariff and GNERC approval process.
- The ENTSO-E Document states that congestion income should be used to facilitate the long term operation and development of the pan-European transmission network and efficient market. This matter is not addressed in the

Document. It seems that the home for auction revenue should be addressed by GNERC.

As a result of the ENTSO-E Document addressing only day-ahead and intraday capacity, the “ACER Framework Guidelines on Capacity Allocation and Congestion Management published on 29 July 2011” (“Acer Document”) was reviewed.

The Acer Document was used as the basis for the ENTSO-E Document, so most provisions are very similar. In terms of long term capacity allocation, the following provision is of interest. In particular, does it require that all annual NTC be allocated in the Annual Auction, or is there any flexibility to allocate less than the full amount in the Annual Auction and correspondingly more in the Monthly Auctions? As currently drafted, the TSO, with GNERC approval, has the flexibility to allocate less than the full NTC in the Annual Auction.

“The CACM Network Code(s) shall require that TSOs determine the volume of long-term capacity rights in accordance with the technical capabilities of the network and for each long-term timeframe. The CACM Network Code(s) shall also ensure that the TSOs submit (at least indicative) levels of capacity available for the whole year sufficiently in advance before the yearly allocation takes place. NRAs shall review and approve the volume of yearly capacity rights, as well as the principles for sharing capacity between the different time frames.”

The rules and procedures in this document (“Auction Rules”) set out the terms and conditions governing the allocation of available interconnection capacity at the Akhaltsikhe-Borchka interconnection between Georgia and Turkey (“Interconnection”). The Auction Rules are intended to provide a transparent market based method of congestion management.

These Auction Rules are established for the allocation of annual, monthly, and daily (day-ahead) interconnection capacity<sup>1</sup>. The Available Transmission Capacity (“ATC”) at the Interconnection is made available to qualified auction participants (“Bidders”) in Georgia to in the form of Commercial Transmission Rights (“CTRs”) where 1 CTR equals the allocation of 1 MW per hour of transmission capacity at the Interconnection for the relevant time period. CTRs are required to export electricity across the Interconnection, but CTRs do not involve any rights, liabilities or financial aspects of the actual transport of electricity. Such rights, liabilities, and financial aspects of electricity transport are governed by transmission tariffs and the transaction nomination and fulfillment provisions of the market rules.

These Auction Rules describe an explicit auction process which may, in the future, transition to an implicit auction process as the electricity market in Georgia evolves to make such a process feasible.

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<sup>1</sup> Rules for access to intra-day interconnection capacity are outside the scope of this document and shall be included in applicable market rules.

These Auction Rules include both the operational rules and procedures required for acquiring and using CTRs as well as the commercial terms and conditions for participation in auctions, including among other items, collateral requirements, payment collection, and default provisions.

## **2.0 DEFINITIONS**

“Allocated CTRs” are those interconnection capacity rights the successful Bidder obtains upon publication of the Auction Results in form of Commercial Transmission Rights and for such renewable energy projects that have been granted contractual rights for long term access to interconnection capacity.

“Annual Auction” is the auction covering a Period from the first Day to the last Day of a calendar year.

“Annual ATC” is that part of ATC to be allocated in the Annual Auction.

“Auction” is the mechanism used to Allocate CTRs via explicit Annual, Monthly and/or Daily Auctions.

“Auction Day(s)” are such days on which Auctions take place. Bids can be submitted until the deadline specified in the Auction Specifications.

“Auction Specifications” is the information regarding a specific Auction provided on the Auction Website.

“Auction Tool” is the IT system used by the TSO to receive and process Bids from Bidders, and publish the Results of the Auction.

“Auction Website” is the website developed and operated by the TSO with the content as described in these Auction Rules.

“Available Transmission Capacity” (“ATC”) is that portion of Net Transmission Capacity available for each phase of the allocation procedure and which shall be used for determining the volumes available in the Annual, Monthly and Daily Auctions after accounting for such renewable energy projects that have been granted contractual rights for long term access to interconnection capacity.

“Bank Guarantee” is an irrevocable and enforceable bank guarantee valid for a specified period of time, waiving any exceptions or set-offs, issued at the request of the Bidder in order to perform its obligations arising under these Auction Rules. Bank Guarantee shall also include any amendment of the initial Bank Guarantee, duly signed, and approved by the TSO.

“Bid” is an offer submitted by a Bidder to purchase CTRs pursuant to and in compliance with these Auction Rules. A Bid consists of a Capacity in MW and a price in Lari [Euro?] per MWh.

“Bid File” is a set of Bids submitted to the TSO by a Bidder for a given Auction in electronic form.

“Bidder” is an enterprise that meets the eligibility requirements described in this document and participates in, intends to participate in, or has participated in an auction and/or Secondary CTR Market.

“Block” is a quantity of MW made available at a Daily Auction over one hour.

“Business Day” is every day except for Saturdays, Sundays and any public Georgian public holidays, as listed in Appendix 3.

“Business Hours” is every hour on a Working Day from [XX:00 to YY:00] Georgia Time Zone.

“Capacity Cost” is the cost, expressed in Lari [or Euro?], payable by a CTR Holder as a result of the CTRs awarded in an Auction, equal to the Clearing Price times Allocated CTRs times number of hours in the relevant time period in the Auction Specifications.

“Clearing Price” is lowest Bid Price selected for award of CTRs at an Auction expressed in Lari [or Euro?]per MW per hour.

“Commercial Transmission Right (“CTR”)” is the instrument that provides successful Bidders and such renewable energy projects that have been granted contractual rights for long term access to interconnection capacity the right to use Interconnection Capacity for electricity transport expressed in MW for a specified period of time in the direction from Georgia to Turkey.

“Counterparty” is the qualified legal entity in Turkey, which has been designated by the CTR Holder as its Counterparty regarding Nomination of Schedules according to the Auction Rules.

“CTR Holder” is a an entity that has obtained CTR(s).

“CTR Resale” is the mechanism by which a CTR Holder may resell CTR(s) back to the TSO.

“CTR Transfer” is the process by which a CTR Holder may transfer a CTR to a Beneficiary.

“Daily ATC” is that part of ATC to be allocated in the Daily Auction.

“Daily Auction” ” is the day-ahead auction covering a daily 24 hour period beginning at the start of the following day.

“Entitlement” is the right of a Bidder to participate in an Auction.

“Export Schedule” is a schedule established by a CTR Holder in accordance with its CTR rights and that specifies the power, expressed in MW per hour, to be exported over the Interconnection to a Counterparty.

“GNERC” is the Georgian National Energy and Water Supply Commission, with regulatory jurisdiction over the Capacity Allocation Auction Rules and their implementation.

“Maintenance Period” is the period of time during which a Product has to be adjusted due to planned maintenance.

“Market Clearing House” is an agency or separate corporation of a electricity market power exchange responsible for settling trading accounts, clearing trades, collecting and maintaining margin monies, regulating delivery and reporting trading data.

“Monthly ATC” is that part of ATC to be allocated in the Monthly Auctions.

“Monthly Auction” is the auction covering a Period from the first Day to the last Day of a calendar month.

“Net Transfer Capacity (“NTC”)” is the maximum interconnection capacity, expressed in MW that can be transmitted from Georgia to Turkey compatible with security standards applicable in both Georgia and Turkey.

“Nomination” is a notification to the TSO and TEIAS by a CTR Holder and its Counterparty of the Schedules relating to the power expressed in integer value of MW which they want to use within the limits of the Capacity of the CTRs awarded to the CTR Holder.

“Party” is the TSO or a Bidder.

“Product” is the whole or part of the Annual, Monthly or Daily ATCs offered in an Auction with reference to a specific period of time.

“Secondary CTR Market” is the mechanism that permits the transfer of CTR(s) acquired at Annual or Monthly Auctions by a CTR Holder and automatic resale to Daily Auctions of the CTR(s) that have not been nominated for electricity schedules.

“Statement of Acceptance” is a declaration by the Bidder to comply with all the provisions contained in these Auction Rules, as shown in Appendix 1.

“TEIAS” is the Turkish Electricity Transmission Company, which is the transmission system operator in Turkey.

“Transfer Notification” is information about a CTR Transfer submitted to the TSO by a Transferor in electronic form.

“TSO” is the Georgian Transmission System Operator.

## **3.0 AUCTION RULES**

### **3.1 GENERAL RULES**

These Auction Rules describe the requirements that Bidders must fulfill to participate in the Annual, Monthly and Daily Auctions, the Auction procedures, the awarding of CTRs, the conditions to access Secondary CTR Market, and the utilization of Allocated CTRs.

The Auctions and the Secondary CTR market are applicable for Interconnection Capacity only. The Secondary CTR market and awarding of CTRs and the financial settlement of the Auction Results do not involve electricity transport or any rights, liabilities or financial aspects pertaining to electricity transport.

A successful Bid for Interconnection Capacity binds the TSO and the Bidder to fulfill their respective duties. The TSO is obliged to make CTRs available to the CTR Holder, while the CTR Holder is under the obligation to conform to Auction Rules, pay the Capacity Cost to the TSO, and submit all required financial guarantees.

### **3.2 FIRMESS OF CTRS**

Annual and Monthly CTRs are offered on a firm basis except for cases where curtailments are necessary due to circumstances that constitute Force Majeure or for reasons linked to the safety of the transmission system and after all other reasonably possible measures have been taken.

Daily CTRs are offered on a firm basis following a firmness deadline of 30 minutes before the close of bidding for Daily CTRs.

When curtailments are necessary due to circumstances that constitute Force Majeure, or for reasons linked to the safety of the transmission system, the TSO shall only be obliged to compensate the Annual and/or Monthly CTR Holder of CTRs obtained only through auctions, at 100% of the Clearing Price paid corresponding to the hours of curtailed CTRs without liability for any incidental, indirect or consequential damages caused.

The TSO shall submit a quarterly report to GNERC summarizing the duration and cause of any curtailments due to the safety of the transmission system and Force Majeure. GNERC may, at its option, open a proceeding to investigate the causes for such curtailments.

## **4.0 AUCTIONS**

The auctions described in this document shall take place for the allocation of available interconnection capacity at the Akhaltsikhe-Borchka interconnection between Georgia and Turkey in the direction of Georgia to Turkey.

CTRs are offered in units of 1 MW, and provide the CTR Holder with the right to use Interconnection Capacity for electricity transport for a specified period of time defined by the Auction Specification.

*[In order to provide a higher level of priority to renewable energy projects as directed by Government of Georgia policy, all auctions shall have three priority levels. New renewable energy projects [define as after 2008?] shall be considered first as a group, then older renewable energy projects if there is remaining capacity for the auction, and finally all other Georgian generators if there is remaining capacity. GSE shall propose for GNERC review and approval the procedures for a three part auction process as part of the Auction Specifications.]*

### **4.1 ANNUAL**

*Auctions [Consider whether these should be 9-month auctions due to restricted winter exports]*

Annual Auctions for CTRs for Annual ATC apply from the first day through the last day of the calendar year. The Annual Auctions shall take place no later than *[insert date]* of the preceding calendar year.

The NTC forms the basis for the Annual Auction. The TSO and TEIAS shall agree to NTC values, which may be stated in an annual or seasonal form. The TSO shall then determine the maximum ATC for the Annual Auction after subtracting the capacity associated with such renewable energy projects that have been granted long term access to interconnection capacity. The TSO may, at its option and with the approval of GNERC, offer less Capacity in the Annual Auction than the maximum ATC in a calendar year if, in its determination, such reduced Annual allocation and resulting increased Monthly Allocation will improve utilization of the Interconnection, particularly in regard to exports of electricity generated by hydroelectric plants. The TSO shall publish the NTC, ATC, and the amount of Capacity to be offered in the Annual Auction on its Auction Website.

For Annual Auctions, CTRs are offered as products defined by the TSO. The Product shall be an Annual Base with a definition of 00:00 from the first day of the calendar year to the last day of the calendar year. The TSO may at its option and

with the approval of GNERC, designate monthly blocks, Annual Base, Annual Peak, and Annual Off-Peak time periods for the Annual Auction.

The TSO may, at its option, designate maintenance periods when the Interconnection is not expected to be available in the Annual Auction Specification.

#### **4.2 MONTHLY AUCTIONS**

Monthly Auctions for CTRs for Monthly ATC apply from the first day through the last day of the applicable calendar month. The Monthly Auctions shall take place no later than *[insert date]* of the preceding month.

The NTC, minus any CTRs awarded in the Annual Auction and CTRs associated with renewable energy projects that have been granted long term access to interconnection capacity, forms the basis for the Monthly Auctions. The TSO shall offer this full amount in the Monthly Auctions. The TSO shall publish the Monthly ATC and the amount of Capacity to be offered in the Monthly Auction on its Auction Website.

For Monthly Auctions, CTRs are offered as Products defined by TSO. The Products can be offered according to the following definitions: *[Note that the hours below are in the Turkey-Greece specifications and may need to be modified for Georgia. It may be preferable to simply offer monthly base capacity and monitor results to determine if additional time periods would add value to the process.]*

- (a) *Monthly Base: 00:00-24:00 from the first day of the month to the last day of the month;*
- (b) *Monthly Peak: [06:00-22:00?] from Monday through [Saturday?] from the first day of the month to the last day of the month;*
- (c) *Monthly Off-Peak: [00:00-06:00?] and [22:00-24:00?] from Monday to Saturday and 00:00-24:00 of Sunday, from the first day of the month to the last day of the month;*
- (d) *Such other hours as the TSO may designate in the Auction Specifications.*

The TSO may, at its option, designate maintenance periods when the Interconnection is not expected to be available in the Monthly Auction Specification.

#### **4.3 DAILY AUCTIONS**

Daily Auctions for CTRs for Daily ATC apply from the first through the last hour of the following day.

The amount of Capacity to be offered in the Daily Auction shall equal the Daily ATC minus any Annual and Monthly CTRs for which energy transactions which have been scheduled into or from Turkey.

The Product offered in the Daily Auctions shall be hourly Blocks.

#### **4.4 FALLBACK PROCEDURE IN EVENT OF IT SYSTEM DISTURBANCE**

The TSO may change, cancel, or suspend any procedures in these Auction Rules in the event of serious disturbance to the IT System or devices used by the TSO. The TSO shall publish information on its Auction Website about the implementation of downgraded mode, interruption etc, if available.

In the event of an IT system disturbance that affects the Daily Auction, the TSO shall perform the following fallback procedures and actions:

- (a) If the electronic mail server of the TSO is in operation, then the TSO shall inform the Bidders (via e-mail) that the Auction shall be performed via e-mail (the Bid Files shall be send via e-mail by the Bidders);
- (b) If the electronic mail server of the TSO is completely or partially out of operation, then the TSO shall inform the Bidders (via phone or fax) that the Auction is cancelled;
- (c) The TSO shall inform the Bidders if any other measures have to be taken;
- (d) The TSO shall publish information on its Auction Website about the postponement, switch to downgraded mode, cancellation etc, if available.

In the event of an IT system disturbance that affects the Annual or Monthly Auctions, the TSO may, at its option, take the actions as described for Daily Auctions or postpone the Annual or Monthly Auction for a period not to exceed [5] days.

#### **4.5 AUCTION WEBSITE**

The TSO shall operate and maintain an Auction Website. The following publications shall be provided on the Auction Website:

- (a) Auction Rules, including any modifications;
- (b) Auction Announcements;
- (c) Auction Specifications;
- (d) Names, fax and telephone number(s), e-mail addresses of TSO contact persons;
- (e) Formats of documents related to the Auction to be downloaded and used by Bidders;
- (f) NTC and ATC;
- (g) Allocations to such renewable energy projects that have been granted contractual rights for long term access to interconnection capacity;
- (h) Auction Results (Clearing Price, allocated quantity for all Products);
- (i) Names of successful Bidders and Allocated Capacity;
- (j) Planned Curtailments;
- (k) Maintenance Periods;
- (l) Indicative calendars for Monthly Auctions;
- (m) Other relevant information as determined by the TSO.

The TSO shall not publish commercially sensitive information with respect to any individual Bidder.

#### **4.6 CONDUCT OF BIDDERS**

Prior to, during and after an Auction, Bidders shall refrain from any action or behavior 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.

The TSO may report data to the GNERC so they can take appropriate measures against 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.

*[Should the TSO have the right to disqualify bidders subject to appeal at GNERC, or should the TSO submit a request to disqualify a bidder to GNERC?]*

## **5.0 PARTICIPATION REQUIREMENTS**

### **5.1 REGISTRATION REQUIREMENTS**

In order to participate in the Auctions performed by TSO under these Auction Rules the Bidder must:

- (a) Have executed all relevant contracts with the TSO, including contracts for access to the transmission system and for transmission;
- (b) Have effected and submitted the required guarantees under all relevant contracts with the TSO;
- (c) Not be in default nor have outstanding debts to the TSO beyond required payment dates regarding invoices arising from previous Auctions, for access to the transmission system, and for transmission or other activities, and shall not have been precluded from participating in Auctions due to deregistration, suspension, or exclusion;
- (d) Have an executed agreement with a valid Counterparty in Turkey regarding Nomination of Schedules according to the Auction Rules;
- (e) Not be under bankruptcy or liquidation proceedings.

### **5.2 APPLICATION PROCEDURES**

In order to apply for participation in Auctions, the Bidder shall submit a Statement of Acceptance as shown in Appendix 1 and Bidder Contact Information as shown in Appendix 2. By signing the Statement of Acceptance, the Bidder undertakes to comply with all the provisions contained in these Auction Rules as well as in the Auction Specifications.

Bidder shall submit such supporting documentation as may be required to demonstrate its qualifications. The TSO shall review the Statement of Acceptance and supporting documentation within seven (7) Working Days from its receipt. In the event the TSO denies a registration application, the TSO shall inform the applicant of the reasons for the rejection by electronic mail or fax. The Bidder may reapply with the required application modifications. The Bidder may, at its option, request that GNERC review and make a determination on the registration application denial.

The Bidder shall inform the TSO promptly if any of the information in the registration application changes and shall submit such modifications to the TSO. The TSO may inform the Bidder that it is reconsidering Bidder's qualifications to participate in Auction if in the opinion of the TSO such changes merit reconsideration of its approval. In the event the TSO denies the modified registration application, the Bidder may, at its option, request that GNERC review and make a determination on the registration denial.

Within fourteen (14) days of the TSO's approval of the Bidder's application, Bidder shall submit to the TSO a Bank Guarantee in the form shown in Appendix 4 and in the amount required in this document. The Bidder shall update the Bank Guarantee to such levels as required to participate in any Auction in which it desires to bid. The TSO shall inform the Bidder that it is eligible to participate in Auctions, subject to the Bidder maintaining a sufficient Bank Guarantee. In the event the Bidder does not submit the Bank Guarantee within thirty (30) days, the Bidder's application shall be void. The Bidder may reapply at its option.

At such time as a Market Clearing House is established for the electricity market in Georgia, such Market Clearing House shall implement rules and procedures for the collateral requirements, settlement, and payment for CTRs. Such rules and procedures shall be adopted for these Auction Rules and shall supersede the Bank Guarantee, payment, and settlement requirements specified in this document.

The TSO shall publish on its website the list of Bidders that are eligible to participate in Auctions. Bidders may object to the list within the deadlines specified in the Auction Specifications. The TSO shall review any objections filed by Bidders and inform the objecting Bidder of its determination. The Bidder may, at its option, request a review and determination of any denials by GNERC. In order to facilitate transfers in the Secondary CTR Market, the Bidder agrees that its name shall be included in the list of possible Beneficiaries accessible only to CTR Holders.

### **5.3 BANK GUARANTEES**

The TSO, in consultation with GNERC and subject to GNERC's approval, may request Bank Guarantees for Auctions and determine the required amount. In the event Bank Guarantees are required, each Bank Guarantee submitted to TSO is subject to Georgian law and it should be issued by a solvent Bank, legally operating in Georgia and having its corporate office or a duly established subsidiary established in Georgia. This credit institution shall not be the Bidder itself nor shall it control the Bidder or be controlled by the Bidder under the meaning of corporate law. The wording of the Bank Guarantee shall be in a form as shown in Appendix 4 or such other format as may be acceptable to the ISO. Each Bank Guarantee shall be submitted in sealed envelope which shall clearly bear the identification details of the Bidder.

Once submitted, the Bank Guarantee covers the participation of the Bidder in all forthcoming Auctions. The Bidder is not required to submit additional Bank Guarantees except if there is a demand for payment being made under the Bank Guarantee. In such a case the Bidder shall provide the TSO with the respective Bank Guarantee, according to the terms described herein, otherwise the Bidder is temporarily suspended at the Interconnection and the provisions of these Auction Rules concerning temporary suspension apply.

In the event payments for CTRs are not made in accordance with the terms specified in this document, the Bidder shall be temporarily suspended and the provisions of these Auction Rules concerning temporary suspension apply, including a demand for payment under the Bank Guarantee.

### **5.4 DEREGISTRATION, TEMPORARY SUSPENSION AND EXCLUSION**

#### **5.4.1 Deregistration**

A Bidder may request the withdrawal of Entitlement in the form of deregistration at any time, in order to terminate its participation in Auctions and the Auction Rules. Any such request must be made by registered mail to the TSO with acknowledgement of receipt. The withdrawal of the Entitlement takes effect 10 Working Days after the TSO receives the request for withdrawal. The request shall be granted on condition that:

- (a) The Bidder affirms that it shall no longer possess rights to use any Allocated CTRs;
- (b) The Bidder has fulfilled all its obligations towards the TSO.

If the Entitlement is withdrawn at the request of the Bidder, it may no longer take part in Auctions or in the Secondary Market. No export transactions may be nominated or Transferred or Resold and shall not be taken into account for the "Use it or sell it" valuation. The TSO shall transfer any unused Annual CTR Allocation to be offered by the TSO in the Monthly Auctions.

Any Withdrawal of Entitlement does not relieve the Bidder from its payment obligations in accordance with the provisions of these Auction Rules, including Allocated CTRs that have not previously been transferred to another Bidder.

In the event that Entitlement is withdrawn at the Bidder's initiative, the Statement of Acceptance is automatically terminated. Any Bidder whose Entitlement has been withdrawn at its own initiative and under the terms of the Auction Rules may request Bidder status at any later date by following the Auction Rules procedure.

#### **5.4.2 Temporary Suspension**

A Bidder shall be temporarily suspended from further Auctions and Secondary CTR Market in the event the Bidder:

- (a) Is in default of its financial obligations to the TSO, and/or;
- (b) Institutes or has been instituted against the Bidder a proceeding seeking a judgment of insolvency or any other relief under insolvency law and/or;
- (c) Does not fulfill the requirements in respect of grid access and transmission.

The TSO shall promptly notify the Bidder of temporary suspension by both facsimile transmission and registered mail (with acknowledgment of receipt) and shall be in effect on the date specified in the Notification. The temporary suspension notice shall contain the reason for suspension, suspension date, and time period within which the Bidder must fulfill the outstanding obligations ("Cure Period"). The Cure Period shall be [30?] days unless modified by the TSO subject to GNERC approval.

In case of temporary suspension:

- (a) The Bidder is not relieved from its financial obligations for its Allocated CTRs;
- (b) The Bidder shall not be entitled to participate in further Auctions and Secondary Market during the temporary suspension;
- (c) The Bidder is not entitled to use any Allocated CTRs previously acquired during the temporary suspension;
- (d) If payments of any outstanding payment obligations are not made by the end of the Cure Period, the TSO shall make a demand for payment made under the Bank Guarantee. The CTR Holder shall be charged with any additional costs and expenses arising out of the demand for payment;
- (e) The TSO shall allocate any Annual CTRs and Monthly CTRs to the Daily Auctions during the Cure Period during the temporary suspension until the earlier of the date that the Bidder fulfills all the outstanding obligations to be reinstated or the end of the Cure Period;
- (f) If the Bidder does not fulfill all outstanding obligations to be reinstated by the end of the Cure Period, the TSO shall allocate any Annual CTRs to applicable Monthly Auctions and any Monthly CTRs to Daily Auctions and the Bidder shall lose all rights to those CTRs.;

If the Bidder does not fulfill all outstanding obligations to be reinstated within the Cure Period, the Exclusion provisions shall apply. If the Bidder has fulfilled all outstanding obligations, it shall inform the TSO and the TSO shall review the matter and inform the Bidder of its determination within 14 days. The Bidder may participate in Auctions and the Secondary Market upon receipt of the TSO notification that the Bidder has been reinstated. The Bidder shall regain rights to any Allocated CTRs that have not been transferred by the TSO to the Daily Auctions during the temporary suspension.

If a demand for payment has been made by the TSO under the Bank Guarantee, the Bidder shall provide the TSO with a Bank Guarantee in an amount as required in these Auction Rules in order to be reinstated.

If the TSO determines that the Bidder should not be reinstated, the Bidder may, at its option, submit the matter to GNERC for its review and determination.

#### **5.4.3 Exclusion**

A Bidder shall be excluded from participating in future Auctions and the Secondary Market and from using any Allocated CTRs for nomination in the event that:

- (a) The Bidder breaches the Auction Rules despite the prior notification of the breach sent to the Bidder by TSO, or;
- (b) The Bidder declares itself dissolved or wound up, or;
- (c) The Bidder is declared in bankruptcy, or is dissolved or wound up by a court ruling.

The TSO shall promptly notify the Bidder of its exclusion by both facsimile transmission and registered mail (with acknowledgment of receipt) and shall be in effect on the date specified in the Notification.

The Bidder may, at its option, appeal such determination by the TSO to GNERC. This provision shall apply unless and until a decision is issued by GNERC and served by the Bidder to TSO stating that the Bidder has not been excluded from participating in future Auctions and the Secondary Market and from using any Allocated CTRs for nomination.

In case of exclusion:

- (a) The Bidder shall be obliged to pay the Capacity Price for all Allocated CTRs;
- (b) The TSO shall make a payment claim under all the Bank Guarantee(s) given by the Bidder for its Auction participation;
- (c) The Bidder shall not be entitled to participate in further Auctions and Secondary Market
- (d) The Bidder shall lose any Allocated CTRs;
- (e) The TSO shall reallocate all the Allocated Annual CTRs to Monthly Auctions and all Allocated Monthly CTRs to Daily Auctions.

## **6.0 AUCTION PROCEEDINGS**

### **6.1 AUCTION SPECIFICATIONS**

The Auction Specifications consist of information regarding:

- (a) Products made available for Auctions:
  - i. Annual Product: Based load and/or peak-load and/or off-peak load;
  - ii. Monthly Product: Base load and/or peak-load and/or off-peak load;
  - iii. Daily Product: Hourly blocks;

- iv. Such other relevant time product time periods as the TSO may offer in the Auction;
- (b) ATC available for bid after allocations to such renewable energy projects that have been granted contractual rights for interconnection capacity;
- (c) Time periods when bids may be submitted;
- (d) Timeframe for the publication of Auction Results;
- (e) Deadline to contest Auction Results;
- (f) Bid forms for the Auction;
- (g) Such additional information as the TSO may include.

Bids shall be in the format of Lari [*Euro?*] per 1 MW of Capacity. The Capacity Cost shall equal the MW allocated to the Bidder multiplied by the Clearing Price multiplied by the number of hours in the relevant period.

Only those Bids submitted by Bidders, which meet the requirements of the Auction Specifications and Auction Rules shall be considered in the Auction.

## **6.2 ANNUAL AUCTION**

Annual Auction Specifications shall be published by TSO on the Auction Website no less than thirty (30) days before the Auctioning Day of the Annual Auction.

The TSO shall inform each Bidder of the outcome of its Bid(s) no later than two (2) hours after the close of the bidding period. The TSO shall publish results of the Auction on the Auction Website within four (4) hours after the close of the bidding period. In the event the TSO requires additional time to evaluate Bids and determine Auction results, it shall publish an informational notice on the Auction Website that shall state the reason for the additional time and an estimated time of publishing the Auction results.

## **6.3 MONTHLY AUCTIONS**

Monthly Auction Specifications shall be published by TSO on the Auction Website no less than seven (7) days before the Auctioning Day of the Monthly Auction.

The TSO shall inform each Bidder of the outcome of its Bid(s) no later than two (2) hours after the close of the bidding period. The TSO shall publish results of the Auctions on the Auction Website within four (4) hours after the close of the bidding period. In the event the TSO requires additional time to evaluate Bids and determine Auction results, it shall publish an informational notice on the Auction Website that shall state the reason for the additional time and an estimated time of publishing the Auction results.

## **6.4 DAILY AUCTIONS**

The TSO shall allocate the entire of the Daily ATC seven (7) days per week on a day-ahead basis (Auctioning Day). The following steps are performed for the Daily Auction:

- (a) The Daily ATC is published on the Auction Website at or before [*07:45*] Georgian Time of the Auctioning Day.
- (b) Bid Submissions Daily Auctions are held between [*07:45 and 08:15*] Georgian Time of the Auctioning Day. The process for the submission of Bids for the Daily Auctions is described in the Daily Auction section of the Auction Website.
- (c) Each Bidder shall be informed of the outcome of its Bid(s) by 09:00 of the Auctioning Day. The Results of the Auctions are announced on the Auction Website;

- (d) The above times may be modified by the Auctions Operator in the Auctions Specifications.

The CTRs allocated by the TSO in the Daily Auctions shall be subject to the “Use It or Lose-It” principle.

## **6.5 BID FORMAT AND BID LIMITATIONS**

Bids are submitted by the Bidder using a Bid File for each Auction. Bid requirements are as follows:

- (a) Each Bidder may submit a Bid File with a maximum of ten (10) Bids for each Product. Such bids submitted are independent of each other;
- (b) The sum of requested capacities of the Bids for the relevant Product shall be less than or equal to the ATC of the Product and maximum CTR limitations per bidder, if any;
- (c) Each Bid reflects Capacity in units of one (1) MW with a minimum of one (1) unit and increments of one (1) unit.

Each Bid must contain the following:

- (a) The name of the bidding company (Bidder);
- (b) Company identification code;
- (c) Generator source, including characterization of new renewable resource, older renewable resource, or other generating source;
- (d) The code number of the relevant Auction;
- (e) Day/period of execution;
- (f) The value of the Bid in Lari/MW (maximum two (2) decimals);
- (g) The amount, in Blocks of integer quantity (MW) minimum one (1) MW, of the required Interconnection Capacity;
- (h) Such other information as the TSO may require in the bid form.

Bids are unconditional and irrevocable.

Bids shall be submitted using the appropriate forms, which can be downloaded from the Auction Website. In the event the Bid does not fully comply with the requirements specified in the Auction Specification and Bid Form, the Bid File is considered unacceptable and it is ignored during the Auction clearing process.

Bidders may resubmit a Bid File before the corresponding deadline of the Auction. The most recent Bid File with respect to the corresponding deadline is considered in the Auction evaluation.

## **6.6 DETERMINATION OF AUCTION RESULTS**

### **6.6.1 Awarding CTRs**

The ATC is auctioned by TSO result in one Clearing Price for each Product in form of CTRs for each priority group of generators. The Results of each Auction are determined as follows:

- (a) If the sum of all Bids submitted for a given Auction is equal to or less than the ATC, no Clearing Price is charged to the CTR Holder;
- (b) If the sum of all Bids submitted for a given Auction exceeds the ATC, a Clearing Price is charged to the CTR Holder for each Allocated CTR. For this purpose, the

Bids are sorted out by the price offered, starting with the highest price and ending with the lowest one;

- (c) The requested capacities of the Bids are added up to the Bid, which represents the level above which the sum of the Interconnection Capacity requested by the Bidders exceeds the ATC (marginal Bid);

The price of the marginal Bid is the Clearing Price. Each Bidder who bid more than the Clearing Price receives the Interconnection Capacity requested at the Clearing Price in form of a CTR. The remaining Interconnection Capacity is allocated to the Bidder of the marginal Bid. If the ATC 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.

CTR Holders are not obliged to use the CTR purchased in the Auctions conducted by TSO. They must, however, pay the Capacity Cost once CTRs have been allocated to them.

### **6.6.2 Deadline for Contesting Results**

The Auction Results published by TSO are final at the end of the time given for their Contestation and provided that the TSO rejects any objection by Bidders.

Bidders may contest the Auction proceedings and/or the Auction Results within the deadlines as follows:

- (a) For Annual and Monthly Auctions: no later than one working day (1) after the publication of Auction Results;
- (b) For Daily Auctions: no later than one (1) hour after the publication of the Auction Results in the Auction website.
- (c) Any Bidder that contests the proceedings or the Auction Results shall send its objection to the TSO at the fax number shown in Appendix 5.
- (d) If the Bidder does not contest the Auction result within the deadline, the Bidder loses the right to contest and the Auction Results are final and binding.

The TSO shall reply to the Bidder no later than:

- (a) One (1) working day after the reception of the objection for Annual and Monthly Auctions;
- (b) One (1) hour after the receipt of the objection for Daily Auctions.

In the event that the objection of the Auction is considered as valid, TSO shall:

- (a) Either change the Auction Results accordingly, or;
- (b) Cancel the Auction and establish a new Auction for the allocation of the CTRs;
- (c) Publish the objection, the TSO’s decision, and the actions taken by TSO.

## **7.0 SECONDARY CTR MARKET**

### **7.1 RESALE OF CTRS IN DAILY AUCTIONS**

All non-nominated Annual and Monthly CTRs shall automatically be included by the TSO for resale in the Monthly and Daily Auctions respectively. For those CTRs that are resold that were initially obtained through the auction process at a non-zero price, the CTR Holder, as Reseller, shall be compensated with the relevant Clearing Price for its resold CTRs.

In the event that system conditions result in the Daily ATC being less than the non-nominated Annual and Monthly CTRs, the non-nominated CTRs shall be curtailed on a pro-rata basis.

The CTR Holder shall remain responsible for the payment of the Capacity Price for the resold CTRs.

## **8.0 CAPACITY USAGE RULES**

### **8.1 NOTIFICATION TO TSO OF COUNTERPARTY(IES)**

Notification of the CTR Holders' Counterparty(ies) to the TSO is required for the Nomination consistency check. The CTR Holder shall designate its Counterparty(ies) as follows:

- (a) If the CTR Holder is a registered market participant in the Turkish power market, then the CTR Holder can designate itself as the Counterparty;
- (b) For Annual and Monthly CTRs Nominations, if the CTR Holder is not a registered market participant in the Turkish power market, then the CTR Holder must designate one or more Counterparty(ies) on the Turkish side of the Interconnection who is/are registered market participant in the Turkish power market;
- (c) For Daily CTR Nominations the CTR Holder must designate one Counterparty on the Turkish side of the Interconnection who is registered as a market participant in the Turkish power market.

The CTR Holder shall communicate its Counterparty(ies) for Nominations of Annual and Monthly CTRs to TSO by using a form (downloadable from TSO Auction Website) no later than 12:00 three (3) Working Days before the relevant Auction Day.

The CTR Holder shall communicate its Counterparty for the Nomination of Daily CTRs to TSO by indicating its Counterparty in the corresponding Daily Auction Bid Form. TSO shall not be held liable to a Bidder in case that the indicated Counterparty for the Nomination of Daily CTRs is not entitled to perform nominations in Turkey.

If the CTR Holder does not communicate its Counterparty(ies) to the TSO in accordance with these provisions, the CTR Holder shall not be permitted to use the applicable Allocated CTRs.

### **8.2 CTR USAGE**

Allocated Capacity from Auctions and allocations to such renewable energy projects that have been granted contractual rights for long term access to interconnection capacity operates by way of the delivery of fixed schedules nominations to the TSO

and TEIAS for the following day in compliance with the market operations and transmission rules and procedures in Georgia and Turkey. Each CTR Holder wishing to export electricity over the Interconnection is responsible for submitting to schedule nominations in accordance with the applicable rules and procedures.

The schedule nomination to the TSO is binding for the CTRs Bidder and its Counterparty. The TSO is not responsible for a schedule, which is not confirmed between the CTR Bidder and its Counterparty. The CTR Holder is responsible for ensuring the nomination does not exceed the maximum amount of CTRs it holds. The TSO may, at its option, request the CTR Holder revise its nomination or may reject the nomination depending on system operation and time constraints. If no revised and valid nomination is submitted prior to the applicable time deadline, the nomination of the CTR Holder shall be set to zero.

If the schedule nominations of the CTR Holder and its Counterparty do not match, the TSO shall reduce the nominated schedules to the minimum value of the Nomination submitted to TSO by the CTR Holder and the nomination submitted to TEIAS by its counterparty. The agreed nominations shall be considered final and binding for TSO and the CTR Holder. *[Gurgen, would it be more appropriate to cancel the transaction if the Counterparty doesn't confirm the volume?]*

## **9.0 SETTLEMENT AND PAYMENT**

### **9.1 SETTLEMENT OF CTRS**

The TSO collects all payments due resulting from the Auction of CTRs, performed by the TSO as described in these Auction Rules. The TSO pays CTR Holders in accordance with these Auction Rules as described herein.

#### **9.1.1 Invoices and Payment**

The TSO shall invoice CTR Holders with the Capacity Cost and CTR Holders shall pay as follows:

- (a) The Capacity Cost from Annual Auctions shall be settled prior to usage on a monthly basis. The TSO shall invoice the CTR Holder *[ten [10] days]* before the start of each month in the annual period and the payment shall be due and payable *[three (3)]* days before the start of the each month in the annual period;
- (b) The Capacity Cost from Monthly Auctions shall be settled on a monthly basis. The TSO shall invoice the CTR Holder *[ten (10)]* days before the start of each month and the payment shall be due and payable three (3) days before the start of the applicable month; *[Need to determine date of Monthly Auction – this timing assumes a mid month auction for the following month.]*
- (c) The Capacity Cost from Daily Auctions shall be settled after usage on a monthly basis. The TSH shall invoice the CTR Holder no later than the 10<sup>th</sup> calendar day of such month following the month that the Daily Auctions took place and payment shall be due not later than the 20<sup>th</sup> calendar day of such month.

Invoices shall be sent to the CTR Holder at the address indicated in the Statement of Acceptance or such modified address as the CTR Holder may request in writing. The TSO shall send the invoice in advance by fax or e-mail.

### **9.1.2 Invoice Disputes**

In the event that a CTR Holder disputes an invoice, it shall notify the TSO of any claims by registered mail to the TSO with acknowledgement of receipt within seven (7) Calendar Days of the invoice's date of issue. The registered letter shall contain a detailed description of the objection. The CTR Holder shall pay any amounts invoiced that are not in dispute within the time periods specified above. Beyond this dispute period, the invoice shall be deemed to have been accepted by the CTR Holder.

The TSO shall review the CTR Holder's objection and inform the CTR Holder of its decision. The CTR Holder shall pay any amounts determined to be due to the TSO within seven (7) days of the receipt of the TSO's decision. In the event the TSO denies the CTR Holder's objection, the CTR Holder may, at its option, request that GNERC review and make a determination on the matter.

A claim in no way relieves the CTR Holder from the obligation to pay the invoice in accordance with the terms described hereto. In the event that the claim is denied, the CTR Holder shall pay interest on any withheld amounts.

### **9.1.3 Payment Conditions**

The CTR Holder shall pay the TSO the amounts invoiced, by bank transfer to the account specified by TSO in Appendix 5 of these Auction Rules. The CTR Holder shall pay any bank charges relative to the settlement of the invoice.

The CTR Holder shall ensure that its bank transmits the corresponding invoice number with the payment order.

### **9.1.4 Late Payment**

Payment is deemed to have been made on the day on which it appears on TSO's bank statement, provided that the CTR Holder and its bank have specified a correct invoice reference number. The CTR Holder is responsible for anticipating bank processing and payment registration times.

### **9.1.5 Interest on Arrears**

If the amounts invoiced are not paid in full by the specified payment deadline, then such amounts shall be subject to interest without any further notification to the CTR Holder.

The rate of interest, determined on the day on which the invoice is sent, is equal *[Insert relevant interest rate]*. This interest is calculated from the first day following the specified payment deadline until the date on which the invoice is paid in full.

In case of late payments by TSO the rate of interest, as determined above, shall be applied.

## **9.2 PAYMENTS BY THE TSO TO CTR HOLDERS**

The TSO shall pay to the CTR Holder on or prior to the 25th day of the calendar day of month of the following such occurrences:

- (a) The valuation of any Annual or Monthly CTR curtailments for safety or system reliability reasons linked to the safety of the power system or for circumstances that constitute Force Majeure;

- (b) The valuation of the curtailments of Daily CTRs for circumstances that constitute Force Majeure;
- (c) The valuation of the Use It Or Sell It CTRs resold in the Daily Auctions

### **9.3 EXCLUSION OF SETOFF**

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

Bidders accept by participating in the Auctions that they can only be discharged of their debts through payment to TSO. Bidders waive the right to offset any debts that arise in connection with an Auction to claims that those CTR Holders have against TSO, whether or not arising out of an Auction.

### **9.4 INFORMATION AND NOTICES**

Any notice given under these Auctions Rules shall be in writing and must be addressed to TSO at the address shown in Appendix 5, except where these Auction Rules provide otherwise.

### **9.5 LIMITATION OF LIABILITY**

The TSO shall not be liable to a Bidder or to a third party for any damages resulting from a Bidder's participating or not being able to participate in an Auction or in a CTR Transfer or in a CTR Resale, or from the Results of the Auction and/or CTR Resale and/or CTR Transfer; or from an Auction not being held or cancelled and a Bidder shall hold harmless and indemnify TSO, in respect of claims regarding such damages from third parties.

The TSO shall provide the CTRs awarded by the Auction and/or the CTR Transfer and/or a CTR Resale within the scope of its 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, caused by circumstances that do not constitute a Force Majeure event. The impairment shall only be remedied by technically/economically feasible and appropriate actions complying with the relevant national and international requirements.

The TSO do not guarantee completion of the Auction. The Auction may be postponed, interrupted or cancelled especially in the event of technical problems with the Auction process, without any obligation of TSO to compensate the Bidders.

The TSO shall only be liable for damage or loss caused to Bidders if it is the result of intent or gross negligence or culpable dereliction of an essential duty under these Auction Rules. In all the above cases, the TSO's liability is limited only to the direct (actual) and documented damages. There is no TSO liability whatsoever for any consequential damages.

The Bidder shall only be liable for damage or loss caused to the TSO if it is the result of intent or gross negligence or culpable dereliction of an essential duty under these Auction Rules. In all the above cases, the Bidder's liability shall be limited to direct (actual) and documented damages. There is no Bidder's liability whatsoever for any consequential damages.

In no way shall the awarding of CTRs pursuant to these Auction Rules be considered or construed to mean or imply that the Bidder 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.

The TSO does not assume responsibility for the timely arrival of Bids and/or Transfer Notifications and/or Resale Notifications in time.

## **9.6 CONFIDENTIALITY**

The TSO shall treat all information disclosed pursuant to these Auction Rules as confidential and shall refrain from disclosing such information to any third party without the prior consent of the Bidder concerned. Confidential information shall include all information delivered in writing and designated as “Confidential”, or commercially sensitive information disclosed other than in writing.

The above paragraph shall not apply to disclosure of information to governmental, regulatory authorities and courts 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 the TSO against a claim.

The provisions of this article shall not apply to any information disclosed to TSO if:

- (a) The information was public knowledge prior to such disclosure or, after such disclosure, becomes public knowledge through no fault of TSO;
- (b) It was known to the TSO before that disclosure and was not covered by a confidentiality obligation;
- (c) After the information is received by the TSO it is received from a third party owing no obligation of secrecy to the respective Bidder in respect to such information.

## **9.7 SEVERABILITY**

If any part or provision of the Auction Rules and/or its Appendices are or become invalid, illegal, void and/or unenforceable, the remaining part(s) shall continue to be valid and enforceable and shall not be affected thereby. Any invalid, illegal, void and/or unenforceable part(s) or provision(s) shall be replaced by valid, legal and/or enforceable part(s) or provision(s) in order to achieve the intended economic and legal effect as far as possible.

## **9.8 DISPUTES AND APPLICABLE LAW**

Any dispute arising out of or in connection with these Auction Rules or in respect of the Auctions for the Allocation and Assignment of CTRs shall be settled by the Georgian National Energy and Water Supply Commission (“GNERC”). The place of arbitration shall be the offices of GNERC in Georgia. The language to be used in the arbitration proceedings shall be *[Georgian?]*.

Any dispute arising out of or in connection with these Auction Rules or related to their violation, termination or nullity shall be referred to, governed and finally resolved exclusively by the Georgian law.

*[The application of the UN Convention on Contracts for the International Sale of Goods (CISG) shall be excluded. ?]*

The provisions of this Article constitute an irrevocable consent by the Parties to any proceedings in terms hereof and no Party shall be entitled to withdraw there from or claim at any such proceedings that it is not bound by such provisions.

## **9.9 FORCE MAJEURE**

Force Majeure means any event or situation beyond the reasonable control of a Party, and not due to a fault of such Party, which cannot be avoided or overcome

with reasonable foresight and diligence, which cannot be solved by measures which are from a technical, financial and/or economic point of view, reasonably possible for the Party, and which makes it impossible for such Party to fulfill temporarily or definitively, its obligations hereunder in accordance with the terms of the Auction Rules.

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

The affected obligations, duties and rights of a Party subject to the Force Majeure shall be suspended from the beginning of the Force Majeure. Allocated Capacities that have been paid for and which become subject to a Force Majeure shall be reimbursed for the period of that Force Majeure.

The Party 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 its obligations, when such non-performance or faulty performance is due to an event of Force Majeure.

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

If a Force Majeure event lasts for more than thirty (30) Days, the TSO may suspend the Entitlement of the Bidder and/or Bidder may request the withdrawal of its Entitlement by sending notification by registered mail with acknowledgement of receipt, with due explanation. The withdrawal or suspension of Entitlement shall take effect on the date of receipt of the said Notification.

## **9.10 AMENDMENTS**

The present Auction Rules shall be amended according to the following procedure:

### **9.10.1 Amendments Due to Technical and Legal Requirements**

These Auction Rules are subject to the technical and legal conditions at the time at which they take effect. In the event that there is a change in law or regulation, any rules imposed (as the case may be) by Competent Authorities at national level which have an effect on these Auction Rules, notwithstanding any other provision of these Auction Rules, the Auction Rules shall be amended accordingly.

### **9.10.2 Amendments of the Auction Rules**

TSO may propose amendments to these Auction Rules subject to review and approval by GNERC.

Bidders may propose amendments to the Auction Rules. Every proposal should be sent by registered mail with acknowledgement of receipt, containing a description of the proposed amendment and its merits. The TSO, within ten (10) Working Days starting from the date of acknowledgement of receipt, shall confirm or refuse the acceptability of the proposal, providing a justification for the decision that shall be sent both to the Bidder and to GNERC.

### **9.10.3 Auction Rules Approval**

The amended version of the present Auction Rules shall be submitted to GNERC for approval.

Within a period of twenty (20) Working Days following the last decision of GNERC, the TSO shall:

- (a) Draft the amended definitive version of the Auction Rules;
- (b) Publish on its Website the amended final version of the Auction Rules and its effective date;
- (c) Notify each Bidder that an amended version of the Auction Rules is available on its Website.

Amendments of the present Auction Rules have no impact on the validity of the Statement of Acceptance signed by the Bidder. This Statement of Acceptance continues to be in force and includes acceptance of the modifications made to the Auction Rules, without prejudice to the Bidder's right to deregistration in accordance with the Auction Rules.

### **9.11 ACKNOWLEDGMENT OF RECEIPT**

Any correspondence sent by the TSO regarding Auction Rules via email is considered as delivered to the recipient at the date and time that the electronic mail of TSO states that the message was transmitted.

Any correspondence sent by the TSO regarding Auction Rules via fax is considered as delivered to the recipient at the date and time stated in the transmission report issued by the fax machine of the TSO.

Any correspondence sent by the TSO regarding Auction Rules via registered mail is considered as received on the date and time that the letter was served.

## 10.0 APPENDIX 1

### 10.1 STATEMENT OF ACCEPTANCE

Bidder (Bidder):

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(Name, Position, Address)

We hereby declare our intention to participate in the Auction of available Interconnection Capacity for electricity transfers from Georgia to Turkey.

We fulfill all participation requirements of the Capacity Allocation Auction Rules for the Akhaltsikhe-Borchka Interconnection between Greece and Appendices and Auction Specifications ("Auction Rules"). We confirm that we:

- (a) Are a Qualified Enterprise in Georgia [*Are there any other license requirements to be an exporter?*];
- (b) Have executed all relevant contracts with the TSO, including the contracts for access to the transmission system;
- (c) Are not in default nor have outstanding debts to the TSO beyond required payment dates regarding invoices arising from previous Auctions, for access to the transmission system, and for other activities, and have not been precluded from participating in Auctions due to deregistration, suspension, or exclusion;
- (d) Have an executed agreement with a valid Counterparty in Turkey regarding Nomination of Schedules according to the Auction Rules (attached hereto);
- (e) Not be under bankruptcy or liquidation proceedings.

We have read and fully and unconditionally accept to abide and to be bound by all rules and regulations and Information Technology requirements of the Auction Rules which have been published on the TSO Website and which are in force at the time of the relevant Auctions.

We acknowledge that our admission to participate in the Auction may be withdrawn in case regulations of the Auction Rules are breached. We shall provide all securities and guarantees required by the Auction Rules.

We hereby declare that we have been lawfully and duly incorporated as per the laws of Georgia, we are in good standing and we validly operate under the laws of the Georgia. Furthermore, we hereby guarantee that there is no condition under the laws of Georgia or these Auction Rules that prevents us from participating in the Auctions and performing our obligations in respect thereof.

We undertake to directly inform the TSO in case of any change occurred in the company's status as declared herein.

We expressly authorize the TSO to publish the name of our company in case of assignment of CTRs through Auctions on the Auction Website.

We hereby accept that any dispute arising out of or in connection with the Auction Rules shall be settled by the Georgian National Energy and Water Supply Commission.

We hereby accept that any dispute arising out of or in connection with these Auction Rules or related to their violation, termination or nullity shall be referred to, governed and finally resolved exclusively by Georgian law.

\_\_\_\_\_

Date

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Name and Position

Duly authorized to fulfill this  
function. \_\_\_\_\_

Signature

## 11.0 APPENDIX 2

### 11.1 BIDDER CONTACT INFORMATION

Company name

EIC code

Address

Zip code

Place

Country

Telephone number

FAX number

E-mail address

Contact person General

Telephone number

Mobile phone number

FAX number

E-mail address

Contact person Operational

Telephone number

FAX number

E-mail address

Contact person Financial

Telephone number

Mobile phone number

FAX number

E-mail address

VAT-number

Invoice address

Postal address

Zip code

Place

Country

Authorized representative(s)

We confirm to the Auction Office that the above information is true.

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Authorized representative Signature, Date

## **12.0 APPENDIX 3**

### **12.1 GEORGIAN PUBLIC HOLIDAYS**

## **13.0 APPENDIX 4**

### **13.1 BANK GUARANTEE**

## **14.0 APPENDIX 5**

### **14.1 TSO CONTACT AND BANK INFORMATION**

**USAID Hydropower Investment Promotion Project (USAID-HIPP)**

**Deloitte Consulting Overseas Projects - HIPP**

**36 a Lado Asatiani Street**

**Tbilisi, 0105, Georgia**