



EXPLICIT AUCTION PROCEDURE- STEPS TO BE UNDERTAKEN FROM THE BEGINNING TO THE END OF THE PROCESS

1. Definition of Net Transmission Capacity (NTC) and Available Transmission Capacity (ATC):

- The starting point for an auction procedure is the calculation of NTC and ATC. **[Joint Activity.]**
- The NTC and ATC calculation requires a professional software package that calculates load flow for different scenarios that include different security of supply options. Those who use this software and create and work with a regional network model that is commonly used by all TSOs in the region, have expertise with specific training.
- The Auction Administrator regularly collects inputs from all participants in the power sector – generation, demand, planned outages of Power Plants, planned and unplanned outages in transmission network – and then populates the model with this information to calculate NTC and ATC.
- The Auction Administrator then exchanges results with neighboring TSOs who have also made the same calculations. If significant differences appear, a procedure has to be checked and adjusted.
- This methodology is not only used to determine yearly and monthly NTC and ATC, but it is also implemented for regular checking and adjustment on a daily basis.
- NOTE: If a new ITC and Capacity Allocation mechanism is applied, the above calculation will be more complex; therefore, the need for and role of an expert for network analysis and load flow will increase.

2. Publication of the information on auction: The auctioning party will announce an auction by publication on its web site. The announcement, published a prescribed number of days in advance, will include:

- a. identification of interconnection;
- b. quantity of capacity available in MW (PKPK);
- c. product type (daily, weekly, monthly, yearly)
- d. product code; and
- e. time of auction.

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3. Participation Requirements [Joint Activity]:
 - a. Qualified participants must:
 - i. submit statement of acceptance;
 - ii. possess a License for International Trade issued by the State Electricity Regulatory Commission (hereinafter called: the SERC).
 - iii. execute a grid access contract and have an EIC Code.

4. Auction process: The explicit auction shall be performed electronically through modules for the allocation of cross-border transmission capacities (*Auction Client*) within the ESS (*ETSO Scheduling System*) platform, through which the Participants submit their bids for interconnect capacity (PKPK) electronically.
 - a. All bids must contain:
 - i. identification number of the Participant (EIC code);
 - ii. auction code;
 - iii. requested whole number amount of PKPK in MW, which cannot be higher than the announced auction capacity; and
 - iv. bid price without VAT, expressed in KM/MW on two decimal places where the price cannot be less or equal to zero. [**Correction in the rule to the negative required.**]
 - b. Bidders electronically submit their bids into the [**name of program**]. During the auction process, only the bidders have access to the auction program, and then only to their own bids.
 - c. Auction IT system ranks the bid list, from the highest to the lowest bids.
 - d. If the amount of ATC for a specified quantity is higher than or equal to the sum of the requested capacities for all Participants, PKPK shall be allocated to all Participants according to the requests from their bids, and the price of the allocated PKPK shall be 0,00 KM/MW.
 - e. If the ATC for a specific product is less than the request by the Participant(s), capacity shall be allocated according to the distributed List of bids for the specific product;

6. IT Malfunction. Auction is downgraded to auction by fax.

7. Notification of Auction Results.
 - a. ESS auction system notifies participant of its results.
 - b. SERC and XXX notified of the auction results by Auction Administrator.
 - c. Publication of auction results on website.

8. Settlement/Payment -- Transco:
 - a. Calculation of charges.
 - b. Issuance of invoice.
 - c. Invoice disputes.
 - d. Time for payment.
 - e. Late payment.
 - f. Interest on arrears.
 - g. Set-off.

9. Secondary market. Notification of transfer to ISO and Transco must be made not later than one hour before deadline for nomination of the Daily Schedule. Original party remains liable for capacity price [**if so, does transferee need to be fully registered and approved to participate?**]. Transferor may cancel transfer [**define conditions of acceptance of transfer.**]
10. Resale of awarded capacity. Use-it-or-lose-it. If awarded capacity is not nominated by the deadline for nomination of the daily schedules shall be lost and may be resold within the intra-day allocation. [**Need to define details.**]
11. Process if Contracts breached: access,

Missing Elements:

Expanded Definitions

Conduct of Users

Currency

Statement of Acceptance

Financial Guarantee

Definition of Firmness of capacity

Definition of imbalance settlement (K with BRP?)

Contesting Results

Designation of use of revenues

Miscellaneous provisions:

Notices

Limitation of liability

Confidentiality

Severability

Disputes

Force Majeure

Amendment of Rules