Procedure for Allocation of Interconnection Capacities

This Market Rules procedure (including subsequent amendments) has been drafted in accordance with paragraph 7.1.1 of the Market Rules and in accordance with Article 16, paragraph 1.41 of the Law on Electricity (Law No. 05/L-085).

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1 Introduction

1.1 This procedure determines the manner of allocation of Available Transmission Capacities (ATC) in the interconnection lines of the Transmission Network in Kosovo with the Transmission System Operators of neighbouring countries.

1.2 This procedure determines the requirements that market participants must meet to participate in the Annual, Monthly, Daily and Intraday Allocation Auctions, auction procedures, granting physical transmission rights (PTR), conditions for access to the secondary market of physical transmission right and the use of the physical transmission right.

1.3 This procedure includes the registration and deregistration of Participants in Interconnection Capacity Auctions, in accordance with Article 7 and Article 10 of the Market Rules, the allocation of ATC within the borders of the KOSTT LFC Zone and the provisions for the nomination of Interconnection Capacities.

1.4 This procedure aims to ensure a transparent process for allocating available interconnection capacities.

1.5 This procedure covers the manner in which ATC is allocated in annual, monthly and daily time periods for 50% (fifty per cent) of the capacity for the borders of the KOSTT Regulatory Area which are not included in the allocation process organized by SEE CAO.

1.6 If at a certain border, KOSTT and a neighbouring transmission system operator agree to make a joint allocation of ATC, the procedure for ATC Allocation at that border is regulated by the Agreement between KOSTT and the neighbouring transmission system operator, and with the approval of the Energy Regulatory Office (ERO), in which case this procedure will not be applicable.

1.7 All important information regarding the Procedures for Allocation of Interconnection Transmission Capacities and the calendar for allocation periods are published in Albanian and English and they can be found on the KOSTT website (http://kostt.com) so that all market participants can participate in transparent and non-discriminatory conditions.

2 Definitions and abbreviations

2.1 All definitions and abbreviations in this document represent the definitions and abbreviations in the Market Rules.

2.2 In addition, the following definitions and abbreviations are used in this procedure:
Definitions

**Auction** – Market-based method for submitting bids for interconnection transmission capacity allocation for pre-defined borders, direction and time period.

**Marginal price** – The price of the last bid received during an auction.

**Allocated capacity** - a right of capacity allocated at the Auction for a Participant.

**Congestion** – presents the situation when the request for transmission capacity submitted by the auction participants is greater than the available ATC capacity at the respective border/direction published by KOSTT.

**Physical Transmission Rights (PTR) Holder** – The auction participant who has been granted the right to use the transmission capacity or a Participant who has been transferred the right of the transmission capacity.

**Auction identification number** - the number used in the KOSTT information system to mark each auction uniformly taking into account the border, direction and period of the auction.

**Planned number of hours of possible use of allocated capacity** - maximum number of hours during an auction period in which it is possible to exercise the right to use the capacity.

**Auction bid** – Bid submitted by the Auction Participant with a defined value of the required capacity and with the price offered for that capacity (MW, EUR/(MW)).

**Last bid accepted at auction** - The Auction Bid, the acceptance of which together with all the auction bids gives a value equal to the value of the ATC.

**Applying party** – Party applying to KOSTT to register for annual/monthly/daily Capacity Auctions.

**Cross-border partner** - A market participant in another control area.

**Allocation procedure** – This is the Procedure for allocating the rights for the use of cross-border transmission capacity.

**Auction period** - Period with equal values of Available Transmission Capacity for which the allocation of usage rights is done through Auction. It can be a calendar year, a calendar month or a day.

**Cross-border energy exchange** - is the exchange of electricity that the market participant in Kosovo performs with market participants in neighbouring control areas (TSOs).

**Auction participant** - Trading Party which in the Auction has submitted a Bid for the allocation of the right to use the capacity, provided that it has previously concluded an agreement with KOSTT for the purchase and use of capacity rights within the borders of the KOSTT Regulatory Area.

**Transfer of capacity** - is the transfer of the right to use cross-border capacity from the capacity holder to another market participant.
Load and Frequency Regulatory Area or LFC Zone - Part of a synchronous zone or the whole synchronous zone, physically bounded by measuring points on interconnectors with other LFC zones, operated by one or more TSOs fulfilling load and frequency regulation obligations.

Abbreviations

AAC – Already Allocated Capacity

ATC – Available Transmission Capacity (ATC = NTC - AAC)

CAX - (Control Area Exchange) - Net cross-border exchange for a border, accepted and confirmed in the day-ahead scheduling process.

NTC – Net Transmission Capacity (NTC = TTC - TRM)

FACA – Framework Agreement for Capacity Allocation

PTR – Physical Transmission. Rights

SEE CAO – SEE Coordinated Auction Office

EMS – Energy Management System

TRM - Transmission system reliability margin

TTC – Total Transmission Capacity

ERO – Energy Regulatory Office

3 Responsibilities

3.1 KOSTT Responsibilities

KOSTT shall:

(a) make this procedure available to all Trading Parties wishing to acquire the right to use the ATC;

(b) apply this procedure;

(c) revise and update this procedure based on the amendments to the European Regulations and Directives on electricity transfer, as well as changes in local legislation in the field of electricity.

(d) receive, analyse and register applications for registration and deregistration of Market Participants wishing to participate in the Interconnection Capacity Auction.
(e) publish the ATC on its website for each Auction period before each Auction.

3.2 Trading Parties

Trading Parties wishing to acquire Physical Transfer Rights (PTR) shall:

(a) submit an application for registration for participation in Interconnection Capacity Auctions,

(b) provide all the information required by KOSTT.

(c) submit Auction Bids (price in EUR and amount) to KOSTT in accordance with their duties defined in the Market Rules and in this procedure.

(d) nominate the value of PTR they will use, through capacity nominations.

4 Documents and forms

4.1 The following documents and forms are an integral part of this procedure and KOSTT will publish them on its website:

(a) Application Form for registration for interconnection capacity allocation - Annex 1

(b) Framework agreement template - Annex 2

(c) Capacity Transfer Request Form - Annex 3

(d) Auction deregistration form Annex 4

(e) Information change form - Annex 5

(f) List of contact persons at KOSTT - Annex 6

(g) Manual for the Capacity Allocation System of KOSTT for auction participants

4.2 KOSTT will also publish the following documents on its website:

(a) Capacity allocation calendar,

(b) List of participants,

(c) Table with ATC Values for intraday Allocation (IdATC) on day D, no later than 18:00 on day D-1,

(d) Table with general auction results,

(e) List of participants who have won PTR in annual and monthly auctions (for each limit individually),

(f) Table with general results of intraday (ID) allocation of capacities,

(g) Planned schedule of maintenance of cross-border lines.
5 Determination of available transmission capacities at the borders with KOSTT LFC zone

5.1 Available transmission capacity (ATC) values for the annual, monthly and daily period are determined for each border separately and each direction in that border, in accordance with the principles set out in the Grid Code.

5.2 ATC values are determined annually, monthly and daily, according to the following formula:

\[ ATC = \frac{NTC}{2} - AAC \]

5.3 The value of ATC, which is available for intraday allocation (IdATC) is determined in the manner described in Article 7.5.

6 Conditions for participation in the capacity allocation auction

6.1 Trading Parties who may participate in Interconnection Capacity Auctions shall:

(a) be licensed according to the procedures by ERO for:
   (i) Electricity generation
   (ii) Electricity supply
   (iii) Electricity Wholesale Supply (Trade)

(b) Are registered as responsible party for balance (BRP)

(c) have signed with KOSTT the Accession Agreement on Market Rules

(d) have an EIC code issued by an ENTSO-E authorized office.
6.2 Prior to participating in Interconnection Capacity Auctions, Trading Parties will also be required to conclude with KOSTT the **Framework Agreement for Capacity Allocation** (FACA).

6.3 Trading Parties wishing to register shall use the Registration Form.

6.4 Trading Parties wishing to register as Participants in Interconnection Capacity Auctions must send to KOSTT the completed Form as well as the copy of the License issued by ERO at least 20 working days before the first date of the activity.

6.5 After receiving the application (Completed Form) and within 5 (five) working days from the date of receipt of the application, KOSTT verifies the adequacy of the information submitted by the applicant.

6.6 If the submitted application is incomplete or incorrect, KOSTT shall inform the Applicant via e-mail thereupon. If the Applicant does not submit a complete and accurate application within one week, KOSTT shall deem the application as not submitted and will not consider it.

6.7 In case the submitted application is accurate and complete, KOSTT shall send the FACA to the Applicant via e-mail for filling in the data.

6.8 The Applicant who receives the FACA is obliged to sign and stamp it and then send it direct or via mail 2 original copies of the FACA to KOSTT.

6.9 Within 5 (five) working days upon receiving the FACA signed by the Applicant, KOSTT shall sign both copies of the Agreement and return one to the Applicant.

6.10 The FACA shall enter into force after its signature by both parties, and the Applicant will be awarded the status of auction participant who is entitled to;

   a) participate in the Auction;
   b) transfer the ATC acquired at auction to other participants
   c) participate in intraday capacity allocation (IdATC)

6.11 KOSTT approves the request of the Applicant for registration as a Participant in the Interconnection Capacity Auction as follows:

   (a) No later than 15 November of year Y-1 in order to be able to participate in the Annual Auction for year Y.

   (b) No later than the first day of the month M-1 in order to be able to participate in the monthly Auction for month M.
(c) No later than the 15th day of M-1 in order to be able to participate in the daily and intraday Auction for the month M.

6.12 Trading Parties wishing to deregister must use the deregistration Form.

6.13 If a Trading Party no longer wishes to be registered as a Participant in Interconnection Capacity Auctions, it must submit to KOSTT the completed deregistration Form, no later than 30 days before the effective date of the withdrawal, specified by the Party on the deregistration form.

6.14 The deregistration of the Participant in the Interconnection Capacity Auctions shall enter into force on the first day of the next calendar month.

(a) The Trading Party will also be deprived of the right to Participate in Interconnection Capacity Auctions if it fails to meet its obligations under the FACA, in which case the registration will be deactivated in accordance with the provisions of Article 6 of that contract.

7 Interconnection Capacity Auctions

7.1 Organisation of Interconnection Capacity Auctions

7.1.1 KOSTT organizes auctions annually, monthly and daily of reservation of the right of use of available capacity (ATC) for each border and direction.

7.1.2 KOSTT, after approval by ERO, will publish on its website the current estimated ATC values for each Interconnection border and for each direction for the upcoming year. In addition, KOSTT will publish the updated values for the next month, taking into account any new information available.

7.1.3 KOSTT defines Interconnection Capacity Auction Periods. These periods shall be annually, monthly and daily.

7.1.4 KOSTT will allocate a share of ATC to its interconnections and shall be held responsible for half of the total ATC (50-50) unless otherwise agreed with neighboring transmission system operators.

7.1.5 Auctions will be organized individually for each auction period, for each interconnector and for each direction.

7.2 Organizing auctions on an annual basis

7.2.1 On an annual basis, KOSTT will allocate ATC by applying the Explicit Auction method.

7.2.2 For all borders and all directions of KOSTT LFC Area, the annual ATC values will be published no later than 2 weeks before the Auction day.
7.2.3 Annual auctions for year Y will be organized simultaneously for all borders and directions no later than November 25th year Y-1. KOSTT publishes on its website the exact date and all information related to the Annual Auction.

7.2.4 Interconnection capacity allocated in the Annual Auction is applied from 00:00 on January 1, until 24:00 on December 31.

7.2.5 After the completion of the Annual Auction, no later than within 5 (five) working days, KOSTT will publish on its website a table with general data about the auction results.

7.3 Organizing auctions on monthly basis

7.3.1 On monthly basis, KOSTT will allocate ATC by applying the Explicit Auction method.

7.3.2 Monthly ATC values for month M will be published no later than 2 weeks before Auction day.

7.3.3 Monthly Auctions for the month M will be organized simultaneously for all borders, and for all Auction periods no later than the 15th calendar day of the month M-1. KOSTT will publish on its website the exact date and all information regarding the Monthly Auction.

7.3.4 The interconnection capacity allocated to the Monthly Auction is applied from 00.00 (CET) on the first day of month M of the Auction until 24.00 (CET) on the last day of the month of Auction.

7.3.5 After the completion of the monthly auction, no later than within 5 (five) working days, KOSTT will publish on its website a table with general data about the auction results.

7.4 Organizing auctions on daily basis

7.4.1 KOSTT will organize by applying the daily Explicit Auction Method for the remaining part of the ATC that is not allocated in the monthly auctions, or that is not declared for use by the winning parties in the monthly and yearly auctions.

7.4.2 ATC daily values for the daily Auction will be published no later than 08:30 of the day D-1.

7.4.3 Daily Auctions will be organized simultaneously for all borders, all directions and for all Auction periods until 09:30 of D-1.

7.4.4 After the completion of the daily Auction, each Auction Participant can see the results through the Energy Management System for capacity allocation, from 10:00 of D-1.

7.4.5 KOSTT will publish on its website all relevant information for the Daily Auction no later than at 10:30.

7.5 Capacity allocation within the day (IdATC)

7.5.1 With the mutual approval of the transmission system operators, the unused interconnection capacities can be allocated at the intraday level based on the ‘firstcome - firstserved’ principle.
Borders, for which the intraday allocation procedure applies, will be published on the KOSTT website.

7.5.2 KOSTT, together with all neighboring transmission system operators, determines the available transmission capacities, which are available for intraday allocation (IdATC), for each period (hours), border and direction.

IdATC is determined by the formula:

\[ \text{IdATC} = \text{NTC} - \text{CAX} \]

7.5.3 In case of additional restrictions on the transmission system, KOSTT in agreement with neighboring transmission system operators may change the IdATC value.

7.5.4 IdATC values for day D are published on the KOSTT website no later than 18:00 of day D-1.

7.5.5 General information on the allocated capacities for one day D will be published on the KOSTT website no later than 18:00 of day D+1.

7.5.6 The allocated capacity in the intraday allocation will be free of charge.

7.5.7 IdATC allocation will be organized by KOSTT or neighboring TSO based on a prior allocation agreement.

7.6 Submission of Auction Bids

7.6.1 Submission of Auction Bids, as well as acceptance of results after the completion of annual, monthly and daily Auctions will be realized only through the EMS System module for capacity allocation, where the Party can access the EMS through the address published on the KOSTT website https://prod.kostt-mms.com/Auction-Client/.

7.6.2 The right to access the EMS can only be exercised by registered Participants who have a username and password to access the EMS.

7.6.3 In case of EMS unavailability for the allocation of capacity rights, bids will be sent by fax or e-mail in the form 'Bid Submission Form' which is published on the website.

7.6.4 Bids in the Annual and Monthly Auctions are submitted to KOSTT exclusively in the period from 09:00 to 13:00 of the day published in the Auction organizing calendar as “the day for submission of Auction Bids”.

7.6.5 Bids in Daily Auctions are submitted to KOSTT exclusively in the period from 09:00 to 09:30 of D-1.

7.6.6 Participants in Interconnection Capacity Allocation Auctions may gain the right to use a portion of the ATC that corresponds to the direction at a certain border and allocated to a certain period of annual or monthly allocation. The direction of the transaction is interpreted from the point of view of the Kosovo system.
7.6.7 In the Annual, Monthly and Daily Auctions the value of the capacity in the Auction Bids, as well as the Capacity Allocated by KOSTT represents the capacity with constant value in MW for each hour and during the entire Auction Period.

7.6.8 Each Auction Bid contains a unique EIC (Energy Identification Code) identification code in accordance with ENTSO-E requirements attributed to the Auction Participant, the date and time of registration of the Auction Bid and the version number.

7.7 Validation and Verification of Bids

7.7.1 Participants in the annual and monthly auctions can submit a maximum of 5 (five) Bids.

7.7.2 The minimum capacity value in an Auction Bid is 1MW and the maximum value is 50 MW. The capacity value in an Auction Bid must be an integer. In specific cases, when the ATC is less than 50 MW, the maximum capacity value in an Auction Bid is equal to the ATC value.

7.7.3 Presenting the price in the Auction Bid is mandatory and must be in EUR / (MW) with two decimals. The lowest price in the Auction Bid must be higher than zero, i.e. it must be a minimum 0,01 EUR/MW.

7.7.4 If the amount of capacity required is less than or equal to ATC, i.e. there is no congestion, then all Auction Bids will be accepted and the capacity allocation price is zero (0EUR / MW).

7.7.5 If the amount of capacity required is higher than ATC, i.e. there is congestion, the Auction Bids are ranked from the highest to the lowest price for each border and direction.

7.7.6 All Auction Bids up to the bid which meets the available transmission capacity are winning bids.

7.7.7 The last bid price represents the Auction price (Marginal Price), which is paid by all Participating Parties that have gained the right to use the capacity.

7.7.8 If the last bid received exceeds the value of the remaining ATC, the Auction Bid shall only be accepted for the remaining ATC. If there is more than one last-price Auction Bid, the remaining available capacity shall be divided proportionally between them.

7.7.9 Auction participants that have acquired capacity rights shall pay the PTR fees as per the following formula.

\[ PPTR = \sum_{j=1}^{n} (\mathcal{C}M_j \cdot KA_j) \]

Where:

- \( PPTR \) – Payment for Physical Transmission Rights
- \( MP \) – Marginal price for the settlement period \( j \)
7.7.10 The contracted PTR and the payment obligations related to PTR shall be paid for the entire auction period, regardless of the nominated flows or current available capacity. Payments for PTR acquired in annual auctions shall be made on a monthly basis.

7.7.11 The Framework Agreement for the Allocation of Interconnection Capacities sets out the billing and payment deadlines and obligations.

8 Reduction of acquired Physical Transmission Rights (PTR)

8.1.1 KOSTT shall make every effort to enable the realization of PTRs allocated in annual, monthly and daily auctions.

8.1.2 Utilization of PTRs acquired in interconnection capacity auctions shall be guaranteed for normal system conditions.

8.1.3 PTR holders who must use PTRs allocated to them at any border/direction in the annual auctions may be subjected to reduced use of part or all of PTRs within a certain period of time due to planned annual disconnections of interconnection lines for regular maintenance, due to Force Majeure or due to other unplanned/unforeseen events in the power system.

8.1.4 In the event of a reduction of PTRs allocated in an annual auction due to planned disconnections of interconnection lines for regular overhaul or maintenance, PTR holders shall be notified in a timely manner of unusable PTR values and the reasons for such restrictions no later than the 12th day of the month M-1 for the capacity to be used in the month M. All PTR holders shall be notified prior to the regular monthly auction for the month M.

8.1.5 In the event of a reduction of PTRs allocated in an annual auction due to planned disconnections of interconnection lines for regular overhaul or maintenance, the Payment for Physical Transfer Rights (PPTR) will be calculated to the auction participant only for that time period of the month when it is able to use all or part of the capacity.

8.1.6 In the event of a reduction of PTRs allocated in annual, monthly and daily auctions due to unplanned events in the power system, the KOSTT shall return the PPTR within 15 days of PTR reduction. In case of Force Majeure, the KOSTT shall return the PPTR where PTRs allocated in annual and monthly auctions are reduced, whereas concerning the reduction of PTRs allocated in daily auctions, the registered participant affected by the event shall have no entitlement to any refund or compensation arising in connection with or as a result of Force Majeure. The refund shall be made based the marginal price for the value of the reduced capacity and for all hours of PTR reduction.

8.1.7 All contracted capacities shall be reduced proportionately in the event of ATC reductions.

8.1.8 Auction participants shall be informed of the system’s return to normal operating conditions.
9 Transfer of Physical Transmission Rights (PTR)

9.1 An auction participant to whom PTRs have been allocated may not return to KOSTT part or all of the allocated PTRs regardless of the reasons for his inability to use the allocated capacity.

9.2 Auction participants may transfer the rights acquired in annual auctions for the use of PTRs. The transfer of these rights can be done for part or whole of the acquired capacity.

9.3 In monthly auctions, transfers can only be done for one-month periods. The PTR holder may transfer the capacity in whole (full value of allocated PTRs for all hours of the day) or in part (for a part of the all hours of the day), which means at the same value for the whole day, otherwise the KOSTT shall cancel such transfer.

9.4 All legal obligations and liabilities for payments to be made to KOSTT shall remain with the initial holder of the PTRs.

9.5 The parties may transfer PTRs by trading with other parties registered with the KOSTT. These transfers shall be notified to the KOSTT through the Interconnection Nominations Transfer Form.

9.6 The transfer of PTRs may only be done for capacity rights allocated in annual or monthly auctions.

9.7 The transfer of PTRs shall be carried out no later than at 12:00 three days before the first day of using the capacity rights. PTR transfers after this deadline shall not be allowed.

9.8 The party to whom the right to use the capacity has been transferred will acquire the status of PTR holder.

9.9 The KOSTT shall immediately verify the PTR transfer against the Interconnection Capacity Register and shall:

(a) refuse the PTR transfer if the initial PTR holder has not settled his financial obligations related to PTR; or

(b) approve the PTR transfer.

9.10 If the KOSTT rejects a PTR transfer proposal, it shall notify the proposing trading party as soon as possible stating the reasons for the rejection.

9.11 The party to whom the PTRs have been allocated one day before (D-1) may not transfer the PTRs to the other participants.
10 Implementation of Physical Transmission Rights (PTR)

10.1 Implementation of PTRs reserved in allocation procedures carried out by the KOSTT

10.1.1 The trading parties shall implement PTRs reserved during the allocation executed by the KOSTT directly through the nomination of cross-border exchange programs.

10.2 Implementation of PTRs reserved in allocation procedures carried out by neighboring transmission system operators

10.2.1 Where capacity use rights are granted by neighboring operators, the market participant who benefits from such rights shall notify the KOSTT in a format defined by the KOSTT and sent by e-mail or fax to the KOSTT, no later than three working days before the beginning of the respective month or before the day when the PTR becomes effective.

10.2.2 If an exclusive partner is required from the neighboring operator for PTR winners by the KOSTT, the party concerned shall comply with the rules of the neighboring TSO.

10.2.3 The values nominated in cross-border scheduling may not exceed the total transmission capacity allocated to each participant.

10.3 Value of PTR Nominated in the Exchange Program at D-1

10.3.1 PTRs acquired in the Allocation procedure executed by KOSTT or by neighbouring transmission system operators will be realized through nominations of daily exchange programs in accordance with Market Rules.

10.3.2 In the process of nominating cross-border exchanges, KOSTT applies the principle based on the acquired PTR.

10.3.3 The value of energy defined in the cross-border exchange program must not exceed the value of PTR.

10.3.4 In order to use the PTR obtained from the annual or monthly Auction, the Trading Party must declare the use of the Transmission Capacity to KOSTT in accordance with the requirements of KOSTT, no later than 08:00 in (D-1) in the format of defined by KOSTT (Excel file).

10.3.5 For all PTR Nominations allocated on a successfully verified Annual / Monthly basis, KOSTT will send the parties the PTR Nomination Approval by 15:30 D-1.

10.3.6 In order to use the PTR obtained from the Daily Auction, the Trading Party must submit a Transmission Capacity Nomination to KOSTT in accordance with the Market Rules, no later than 14:30 on (D-1).

10.3.7 All PTR Nominations will be submitted through the electronic system and in the format defined by KOSTT.
10.3.8 PTR Nominations that comply with these procedures will become Approved PTR Nominations.

10.3.9 If a PTR Nomination does not comply with all the requirements of this procedure then it will be rejected by KOSTT and this PTR Nomination will be marked as rejected.

10.3.10 When a PTR Nomination is rejected, KOSTT will notify the party that submitted the nomination as soon as possible.

10.3.11 For all PTR Nominations allocated on a daily basis that have been successfully verified, KOSTT will send the PTR Nomination Approval by 15:30 of D-1.

10.3.12 PTR nomination deadlines may change depending on KOSTT agreements with neighboring TSOs.

10.4 The value of the capacity right in the intraday nominations of the program exchange

10.4.1 In the cross-border nomination process, KOSTT applies the nomination principle based on the value of PTR allocated to intraday allocation.

10.4.2 All PTR Nominations will be submitted electronically and in the format defined by KOSTT.

10.4.3 If the daily schedule has already been accepted, daily cross-border exchanges are added to the already accepted daily schedule and the parties are notified of the updated Exchange Schedule.

10.4.4 In case of a discrepancy between daily cross-border exchanges notified to both sides of the border or between internal exchanges within days notified by the Participants, KOSTT has the right to change, respectively to set zero values in the daily exchange notifications.

10.4.5 No later than 30 minutes before the start of the period (hour) for which the exchange nomination is announced within the day, the exchange schedule will be accepted or rejected in full.

10.4.6 If the Participant more than three times does not use the right of acquired capacity in the full amount allocated to it within the daily allocation, KOSTT will suspend the participation of this participant from the daily capacity allocation process for a period of three months.

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