

TERMS AND CONDITIONS FOR ELECTRICITY PURCHASE TO COVER LOSSES IN THE TRANSMISSION SYSTEM

(hereinafter referred to as the “**Conditions**”)

I. Basic Information

1. ČEPS, a.s. (hereinafter referred to as “**ČEPS**”), as the operator of the transmission system (hereinafter referred to as “**TS**”) organises a tender in the form of rounds of auctions, through which it purchases electricity to cover losses in the TS in line with Section 24 (3) (b) of Act No. 458/2000 Coll., on the conditions of engaging in business and on exercise of governmental authority in the energy sector and on amending certain acts (the Energy Act), as amended (hereinafter referred to as the “**Energy Act**”).
2. Electricity for covering losses is purchased through auction rounds announced in advance, conducted subject to the Conditions and in line with the General Agreement on the Conditions of Purchase of Bandwidth Products for Covering Losses in the Transmission Network (hereinafter referred to as the “**General Agreement**”), the conclusion of which shall constitute a condition for a bidder’s participation in an auction round that has been announced (hereinafter referred to as the “**Bidder**”). The conditions for entering into the General Agreement with ČEPS are specified at <https://www.ceps.cz/cs/nakup-elektriny-na-kryti-ztrat>
3. The objective of each auction round is transparent, a non-discriminatory selection of an electricity supplier for the coverage of losses in the TS of the Czech Republic, with which ČEPS will transact a business case on the basis of the General Agreement (hereinafter referred to as the “**Transaction**”).
4. The course of auction rounds shall be governed by the Conditions which are binding for all bidders in each auction round and by detailed information on the operation of the E-ZAK electronic system – User manual (hereinafter referred to as the “**Manual**”- only in Czech language).
5. ČEPS shall conclude a Transaction with the Bidder that complies with all requirements set in the Conditions and submits the lowest price quote for the supply of electricity in the auction round concerned.

II. Subject of Auction Rounds

1. The subject of individual auction rounds will be independent deliveries of electricity without accepting liability for deviations for one-year, one-quarter, and/or one-month periods or for any other periods.
2. ČEPS announces individual auction rounds in which it procures electricity for covering losses on the basis of its own updated prediction, in the form of the purchase of one-year, one-quarter, and/or one-month bandwidth supply, without acceptance of liability for deviations. ČEPS shall be entitled to determine other supply periods should it deem it appropriate.

III. Price of Electricity

1. The price for the supply of electricity for covering losses in the TS of the Czech Republic offered by Bidders in their price quotes in individual auction rounds shall be the price of pure electric power.
2. In the relevant auction round, bidders may submit price quotes solely for the supply of electricity for covering losses in the TS of the CR which constitutes the subject of the auction round concerned. The bidder whose price quote was the successful price quote in the auction round concerned, and with which ČEPS concluded a Transaction on the basis of the General Agreement and the Conditions, shall register the agreed supply values in a timely fashion in the system of OTE, a.s., a corporation having its registered office at Sokolovská 192/79, Karlín, Prague 8, ID No. 26463318 (hereinafter referred to as "OTE, a.s.") with the code EAN 8591824010204 and in line with the OTE, a.s. business terms and conditions for the electrical energy sector.

IV. Definition of Bidders

1. Only bidders who have entered into a General Agreement with ČEPS and who comply with the conditions set below for participation in auction rounds may take part in individual auction rounds.
2. Only bidders complying with the following conditions may take part in auction rounds:
 - a) they hold a licence for electricity generation issued by the Energy Regulatory Authority (hereinafter referred to as the "ERA") for sources with aggregate installed capacity greater than 20 MW,
 - or
 - b) they hold a licence for electricity exchange issued by the ERA and have traded electricity in the Czech Republic's transmission system for at least CZK 150 mil. in the last 12 full months;

V. Announcement of Auction Rounds

1. ČEPS shall announce individual auction rounds by publishing a call for participation in an auction round on the website <http://www.ceps.cz/cs/nakup-elektriny-na-kryti-ztrat>. To those bidders who have concluded a General Agreement with ČEPS at least 10 days before the planned announcement of the auction round, ČEPS will send a call for participation in the auction round by e-mail to the address specified for that purpose in the General Agreement.

VI. Entering Price Quotes for an Auction Round

1. Auction rounds will take place in an electronic system that will be made available at the internet address zraty.ceps.cz. The auction round procedure is described in detail in the Manual.
2. Bidders enter their price quotes in an auction round via remote access.

3. In auction rounds, bidders shall enter their price quotes exclusive of value-added tax, in whole CZK/MWh. The minimum increment in the entering of price quotes has been set at CZK 1/MWh.
4. The maximum price that the electronic system will accept in the auction round as the price quote entry (auction price) will be displayed in the electronic system at the start of the relevant auction round.
5. The price quotes entered by bidders in the auction round concerned, within the set period and in the set manner in accordance with the Manual, are accepted by the electronic system, recorded, and displayed, with a statement of their value and system time of their acceptance, but without identifying the specific bidder.
6. Bidders are bound by the price quotes entered by them and the price quotes cannot be subsequently revoked, amended, or supplemented.
7. If a bidder does not enter any price quote, i.e., does not reduce the auction price, this will not be considered to constitute the submission of a price quote.

VII. Auction Round Procedure and Evaluation

1. Auction rounds are announced as auctions with a reducing price. Auction rounds take place in the base time of 20 minutes from the defined auction round commencement time + any extensions. Extensions, each of 1 minute, are added every time a bidder submits a valid price quote. An auction round is automatically closed and evaluated in one of the situations described below:
 - a. no valid price quote is received in the last minute of base time;
 - b. no valid price quote is received during an extension.
2. After the launch of an auction round, the price quote first registered by the electronic system is displayed as the current price quote.
3. The electronic system then compares the values of price quotes registered during the auction round with the current price quote value. If the value of a price quote registered is lower than the current price quote, that price quote is registered by the electronic system as a valid price quote and then displayed as the new current price quote.
4. The price quote that is the current price quote at the time of the close of an auction round is evaluated as the successful price quote of the auction round.

VIII. Communication on the Evaluation of a Tender

1. ČEPS shall send an electronically signed Protocol of the Conclusion of a Transaction to the bidder whose price quote was the successful price quote of the auction round in question, within two hours of the close of the auction round. The Protocol shall be sent in PDF format to the e-mail address given at the time of the bidder's registration in the E-ZAK system.
2. No later than on the business day following after the close of the auction round in question, ČEPS shall send a written confirmation to those bidders whose price quotes were not the

successful price quote in the auction round concerned, stating that fact, to the e-mail address given at the time of the bidder's registration in the E-ZAK system.

3. An auction round shall not be evaluated if ČEPS cancels the auction round in question on the basis of Article X of the Conditions.

IX. Amendment of the Conditions

1. ČEPS is entitled to amend the Conditions unilaterally.
2. ČEPS shall not amend the Conditions during a duly announced auction round. An amendment of the Conditions shall not have retroactive effect on Transactions already concluded on the basis of the previous version of the Conditions.
3. The amendment of the Conditions shall be announced to all bidders with which ČEPS has concluded a General Agreement in line with the General Agreement, at the e-mail address specified by the Bidder. Disagreement with the amendment of the Conditions shall constitute grounds for withdrawal from the General Agreement.

X. Auction Round Cancellation

1. ČEPS is entitled to cancel a particular auction round without cause, but no later than within two hours of the end of the auction round, and this fact shall be announced to all bidders on the website www.ceps.cz/cs/nakup-elektriny-na-kryti-ztrat

XI. Other Rights and Obligations

1. During the relevant auction round, the Bidder shall follow the website <https://www.ceps.cz/cs/nakup-elektriny-na-kryti-ztrat>.
2. After the completion of the auction round concerned, ČEPS shall be entitled to publish the price attained (the successful bid) and to identify the bidder that submitted the successful bid in the auction round.

XII. Concluding Provisions

1. Any and all costs incurred by a Bidder in connection with its participation in an auction round and documenting its competence shall be borne by the Bidder in full.
2. ČEPS is not liable for the operation of the electronic system and the auction round procedure due to events that it was unable to envisage and that arose independent of its will. Should any such events occur, ČEPS shall be entitled to announce a new auction round date.
3. These Conditions are valid from the date on which they are signed and shall take effect on 19 April 2019. They have been officially issued in the Czech language and shall be binding for bidders in that language. A translation of the Conditions into English shall be for information only. In the event of a discrepancy between the Czech and English language versions, the Czech version shall prevail.

Prague, on this day ...

Ing. Martin Durčák
Chairman of the Management Board
ČEPS, a.s.

Ing. Zbyněk Boldiš
Member of the Management Board
ČEPS, a.s.

For information only