

Pursuant to the second indent of the fourth paragraph of Article 97 of the Energy Act (Official Gazette of the Republic of Slovenia, no. 17/2014; hereinafter: EZ-1) and after a prior harmonisation with the system operator and with the consent of the Energy Agency of the Republic of Slovenia no. 151-13/2014-05/203 of 19 December 2014, Borzen, organizator trga za električno energijo, d.o.o., issues the following

RULES FOR THE OPERATION OF THE ELECTRICITY BALANCING MARKET

UNOFFICIAL TRANSLATION

1. GENERAL PROVISIONS

Article 1 (Scope)

The Rules for the operation of the electricity balancing market (hereinafter: the Rules) govern the method for implementation of the electricity balancing market, namely:

- balancing market organisation,
- balancing market membership,
- method of cooperation on the balancing market,
- reporting and informing about the balancing market, and
- clearing and financial settlement of transactions concluded on the balancing market.

Article 2 (Meaning of terms)

(1) The terms used in these Rules shall have the following meanings:

- **imbalance settlement:** is the act of maintaining a balance between the production and consumption of electricity in real-time with regard to exchanges on borders in the transmission network with neighbouring distribution system operators;
- **Clearing Agent:** is the Market Operator or other legal entity to which the Market Operator transfers the performing of clearing and financial settlement of claims and liabilities arising from the balancing market;
 - **accounting interval:** is an accounting interval to which buy and sell bids of electricity refer and in which the delivery and acceptance of electricity is realised between two persons who concluded a transaction on the balancing market;
- **clearing rules:** are the rules adopted and published by the Clearing Agent which *inter alia* include provisions relating to the clearing and financial settlement of transactions concluded on the balancing market and are published by the Market Operator on its website;
- **trading application for the implementation of the balancing market:** is software through which trading on the balancing market is implemented;
- **intra-day trading:** is organised real-time trading carried out a day in advance and completed before the beginning of the accounting interval for which the trading takes place.

(2) Other terms used in these Rules shall have meanings as stipulated in:

- the Energy Act,
- the System operating instructions for the electricity transmission network, and
- the Rules for the operation of the electricity market.

2. BALANCING MARKET

Article 3 (Market Operator)

- (1) The Market Operator organises the electricity balancing market in the Republic of Slovenia as the public service provider of activity of market operator whereby its basic functions are the setting up the rules for the implementation of the electricity balancing market according to the public authorisation and the implementation of the balancing market in a transparent and economically efficient manner.
- (2) The Market Operator shall be responsible for efficient communication with the balancing market members. In this regard, the Market Operator may invite the members to jointly address specific issues relating to the balancing market.

Article 4 (Balancing market)

- (1) The electricity balancing market (hereinafter: the balancing market) is a technologically supported organised form of collecting and engaging bids for the sale and purchase of balancing energy with the aim of settling imbalances in the electricity system in a transparent and economically efficient manner.
- (2) The trading on the balancing market shall be implemented through a trading application which enables the collection of buy and sell bids for electricity through which the System Operator purchases and sells electricity intended for the settlement of imbalances in the electricity system.
- (3) The balancing market shall be implemented as a real-time market.
- (4) The participants in the balancing market are the Market Operator, the System Operator and the members of the balancing market.

Article 5 (Actions on the balancing market)

- (1) The balancing market members must act in compliance with valid regulations and the Rules throughout their operations on the balancing market.
- (2) The balancing market members must act professionally and in compliance with good business practices and must not violate their obligations as per Article 14 of these Rules when operating on the balancing market.
- (3) Upon a written request from the Market Operator, the balancing market members must submit all information or documentation relevant for the provision of uninterrupted operation of the balancing market and risk management of the balancing market as a whole as soon as possible.

Article 6 (Engaging tertiary reserves of active power)

The engaging of tertiary reserves of active power may be implemented through the balancing market. The System Operator shall engage tertiary reserves with regard to procedures set out in the agreements concluded with suppliers of this service.

Article 7

(Purchase obligation of the System Operator on the balancing market)

- (1) The System Operator buys or sells electricity on the balancing market which is needed for imbalance settlement of the Slovenian electricity system, except the energy intended for the provision of the primary and secondary regulation of power and engagement of tertiary reserves of power which cannot be implemented through the trading application and in other cases of use of system services which cannot be carried out through the trading application.
- (2) If the trading application enables such service, the System Operator may activate the energy needed for frequency regulation within the tertiary regulation by concluding a transaction with the provider of tertiary regulation.
- (3) In exceptional cases when concluding a transaction through the trading application is not technically and economically sensible, the System Operator may buy or sell balancing energy directly by concluding bilateral transactions with market participants after an unsuccessful preliminary verification of the bids in the trading application and after an unsuccessful submitting query through the trading application. The System Operator and the Market Operator periodically examine the occurrence and reasons for such cases and submit their reports to the Energy Agency.

Article 8

(Trading application)

- (1) Trading on the balancing market is carried out through trading application which enables the collection of buy and sell bids for electricity by the balancing market members and the cooperation of the System Operator as a member with a special status.
- (2) All transactions concluded for the purpose of imbalance settlement in the electricity system are deemed to be concluded on the balancing market. Transactions concluded by the System Operator for the purpose of buying or selling energy for covering losses in the network or other transactions connected with its balance group must be carried out within a separate trading account in cases when the balancing market is implemented jointly with another intra-day trading.
- (3) Each balancing market member must provide its own adequate technical equipment for smooth use of the trading application. In case of technical difficulties, balancing market member may authorise the balancing market provider to remove all its active bids from the market or to enter bids in the name of balancing market member which were submitted on time and in an appropriate format.
- (4) In case of technical difficulties or other disruptions which prevent normal functioning of the balancing market, trading is temporarily terminated. The balancing market members shall be immediately informed thereof via fax or email.
- (5) The trading application must be reliable.. A support service team responsible for prompt elimination of possible errors shall be organised for its smooth operation.
- (6) In the case of longer interruption of operation of the trading application, the System Operator may conclude bilateral agreements to buy and sell balancing energy with bidders. In doing so, the System Operator shall observe the principles of transparency and economy.

3. ELECTRICITY BALANCING MARKET MEMBERSHIP

Article 9

(Balancing market membership)

- (1) Any balance scheme member of the organised electricity market that complies with conditions set out in these Rules may become a balancing market member..

- (2) A balance scheme member becomes a balancing market member after signing a balancing market membership agreement.
- (3) The System Operator is a balancing market member with a special status.
- (4) The Market Operator publishes and regularly updates a list of balancing market members on its official website.

Article 10

(Conditions for obtaining membership)

- (1) A condition for the balancing market membership is the status of a balance scheme member.
- (2) The Market Operator decides regarding the balancing market membership on the basis of a membership request.
- (3) In addition to a membership request, the applicant must also submit data on the registration of the business entity, contact data, data necessary for financial settlement and other data of the balancing market member necessary for functioning on the balancing market.
- (4) Upon the application, it is deemed that documents submitted by the balance scheme member for the membership in the balance scheme are also valid for balancing market membership.
- (5) A balance scheme member is obliged to submit other supporting documents required by the Market Operator in addition to the membership request.
- (6) In the balancing market membership request, the balance scheme member must also specify persons who will be responsible for signing the agreement and execution of trading on the balancing market. The balance scheme member must also state persons responsible for financial settlement in the balancing market and for the receipt of requests for the submission of financial guarantees submitted by the Clearing Agent.

Article 11

(Balancing market membership agreement)

- (1) A balancing market membership agreement is a legal deal by which a balancing market member and the Market Operator or another legal entity specified in the second paragraph of Article 3 of these Rules set out in particular:
 - balancing market membership,
 - duration of the agreement,
 - termination of membership,
 - method of cooperation on the balancing market,
 - method of cooperation in the settlement system of the Clearing Agent.
- (2) A balancing market membership agreement is submitted to the balance scheme member within 15 days of the receipt of the complete membership request.
- (3) The balancing market member must regularly inform the Market Operator on all changes of the data submitted at entry into the balancing market.
- (4) The balancing market member is obliged to sign the agreement on cooperation in the settlement system of the Clearing Agent within 8 days after signing the balancing market membership agreement.

Article 12

(Termination of membership and cancellation of the balancing market membership agreement)

- (1) The balancing market membership agreement is terminated:
 - by written cancellation of the balancing market membership agreement,

- with the occurrence of legal consequences of a compulsory composition, bankruptcy or other termination procedure of the member,
 - with the termination of the membership in, or the exclusion from, the balance scheme,
 - with the termination of the membership in the settlement system of the Clearing Agent,
 - if the balancing market member fails to submit the required financial guarantees in due time after a repeated request.
- (2) The Market Operator may cancel the balancing market membership agreement with a balancing market member:
- on the basis of a substantiated cancellation of the balancing market membership agreement without a notice period,
 - if the balancing market member fails to enable the review of documentation relating to transactions concluded on the balancing market,
 - if the balancing market member fails to fulfil its obligations,
 - if the balancing market member violates these Rules in any other way.
- (3) The Market Operator shall publish the termination and the cancellation of the balancing market membership agreement on its website.

Article 13

(Temporary technical disabling of trading on the balancing market)

- (1) The Market Operator may temporarily technically disable trading of the balancing market member on the balancing market :
- if the balancing market member fails to submit the required financial guarantees on time until the required guarantees are submitted or the balancing market membership is terminated,
 - if the balancing market member delays the payment of financial liabilities to the Market Operator or another legal entity to which the Market Operator transferred certain tasks until the member settles all due liabilities or until the balancing market membership is terminated,
 - in the case of temporary termination of the balance scheme membership until regaining membership in the balance scheme,
 - at the request of the Energy Agency.
- (2) Temporary technical disabling of trading on the balancing market shall be in force until reasons as per the preceding paragraph are eliminated.

Article 14

(Due care of balancing market members)

- (1) For the purpose of the balancing market, i.e. the provision of energy for balancing the electricity system, all balancing market members must take due care during their transactions that this purpose is realised.
- (2) The balancing market members must refrain from any practices which cause or may cause the inability to provide energy for balancing the electricity system.
- (3) Inadmissible action under the preceding paragraph of this Article shall be deemed to include the reporting of forecasted imbalances in the same accounting interval in which the balancing market member concluded a transaction on the balancing market and did not implement a supply of balancing energy except in the case when the balancing market member proves that the forecasted imbalance did not result from the transactions relating to the balancing market.
- (4) If it is assumed that the balancing market member acts contrary to this Article, the Market Operator is obliged to inform the Energy Agency thereof which acts according to its authorisations determined by law.

Article 15

(Warnings in the case of inadmissible action by a balancing market member)

If a balancing market member violates its obligation as per the preceding Article, the Market Operator shall warn the relevant member about such conduct and inform the Energy Agency thereof.

4. PRODUCTS AND BIDS ON THE BALANCING MARKET

Article 16

(Products on the balancing market)

The following sale and purchase products are available on the balancing market:

- a. 15-minute products,
- b. hourly products,
- c. standardised blocks of hourly base load products (00:00 – 24:00) and peak load products (8:00 – 20:00),
- d. any product block defined by the bidder on the balancing market which includes at least two consecutive hourly or 15-minute products for supply on the same day; an hourly block may conclude transactions in full or not at all and cannot conclude transactions with other hourly products or standardised products.

Article 17

(Bids on the balancing market)

- (1) The System Operator shall enter buy and sell bids of electricity for the purpose of balancing the electricity system.
- (2) The bids submitted by the balancing market members within the intra-day trading system may be accepted by the System Operator as bids submitted on the balancing market.
- (3) All transactions concluded with the bids of the System Operator for the purpose of balancing the electricity system shall be deemed as transactions on the balancing market.
- (4) The System Operator may invite the balancing market members to submit their bids through the trading application in the case of a shortage of bids on the balancing market.
- (5) Balancing market members' bids on the balancing market are anonymous.

Article 18

(Bid content)

- (1) Upon entry in the application, a bid shall contain the following elements:
 - product,
 - bid type which may be buy or sell,
 - type of restriction in bid implementation and bid type as per Article 19 of these Rules,
 - electricity price,
 - electricity quantity, and
 - bid validity.
- (2) The maximum price for an individual bid is 9,999.99 EUR/MWh. The minimum price for an individual bid is -9,999.99 EUR/MWh. The bid step is 0.01 EUR/MWh.
- (3) The minimum bid quantity per one individual participant of the balancing market who submitted a bid is 1 MW (products are evaluated accordingly as per the duration of the bid). The bid step is 1 MW.

- (4) The maximum bid quantity is 999 MW.
- (5) The accounting interval on the balancing market depends on the product type and may be 1 hour or 15 minutes.
- (6) The bid may only be accepted for a whole interval length.

Article 19
(Types of bid enforcement)

- (1) The following types of restriction in bid implementation shall be available for hourly and standardised products:
 - no restrictions: bids may be implemented without any restrictions and can also be implemented only partially;
 - immediate or cancel (IOC): is a restriction determining that bids are implemented immediately after their entry in the application or are immediately cancelled. The bids may also be implemented only partly whereby the non-implemented part of the bid is cancelled immediately;
 - fill or kill (FOK): is a restriction determining that bids are implemented immediately after their entry in the application and in whole or are cancelled immediately.
- (2) The following restriction types in bid execution shall be available for products which the balance market participants form independently:
 - immediate or cancel (IOC): is a restriction determining that bids are implemented immediately after their entry in the application or are immediately cancelled. The bids may also be implemented only partly whereby the non-implemented part of the bid is cancelled immediately;
 - all or nothing (AON): is a restriction determining that bids may only be implemented whole. These types of bids may be implemented at anytime during their validity.
- (3) The following two bid types shall be available for hourly and standardised products:
 - regular bid (REG): is a regular bid without special restrictions,
 - bid as an iceberg (ICB): is a bid whose quantity is divided into several sections which are entered in the order book separately. When entering the bid in the order book, the balancing market member defines the total bid quantity and the starting bid quantity. The starting quantity represents the first entry in the order book and the following entries are made after the implementation of the total quantity of the last bid in the order book. As many bid entries as necessary are made in order to implement all hidden bid quantities.
- (4) When entering bids in the application, the System Operator may also select the following bid type:
 - balance order (BAL): is a restriction determining that bids are implemented for the purpose of balancing. This restriction does not limit the implementation according to the time of the implementation of the bid or its quantity. All bids with hourly and 15-minute products are marked red in the trading application.

Article 20
(Acceptance period and sequence of bids)

- (1) The acceptance period of a bid on the balancing market shall be the time designation allocated by the balancing market application upon the entry or a change of the bid.
- (2) The bid shall remain valid in the electricity balancing market until it is fully accepted within the transaction, removed by the bidder or its validity expires.

(3) The sequence in the order book shall be determined by the 'price/time designation' criterion, which means that the bids with higher prices shall have precedence in the execution of buy bids or the bids with the lowest prices shall have precedence in the execution of sell bids. If several bids have the same price, the bids with the lowest time designation shall have precedence.

Article 21

(Time frame of bidding and concluding transactions)

(1) The bids may be delivered or the existing bids may be changed on the balancing market until the start of the interval to which these bids refer.

(2) The bidding on the balancing market can be carried out 24 hours a day, seven days a week and one day in advance at the most. Detailed schedules for trading shall be determined by the Market Operator in agreement with the System Operator and are published on the Market Operator's website. The balancing market members must be informed about all changes in schedules through the Market Operator's website no later than seven days prior to the application of changes.

Article 22

(Bid activation on the balancing market)

The System Operator may accept the existing bids or may enter bids at any time prior to the beginning of an interval to which the bids refer. The System Operator may conclude transactions relating to tertiary reserves of power at any time prior to the beginning of an interval to which the bids refer.

Article 23

(Actual settlement)

(1) Upon the acceptance of the bid by the System Operator for the purpose of imbalance settlement in the electricity system, a transaction shall be concluded between the System Operator and the bidder on the balancing market.

(2) A concluded transaction is reported in the form of a closed contract to the Market Operator in the quantity determined by the implemented transaction.

5. NOTIFYING AND REPORTING

Article 24

(Notification about the transaction and the demand)

The balancing market participants are notified about concluded transactions through the trading application. If necessary, the Market Operator also notifies the balancing market participants via the telephone.

Article 25

(Publication of results)

(1) The Market Operator publishes all results relating to trading on the balancing market on its website.

(2) The products, quantities and prices of concluded transactions are published. The weighted average price of individual products shall be published for hourly and 15-minute products.

Article 26
(Preparation of reports of balancing market implementation)

- (1) The Market Operator shall publish the following reports on the balancing market on its website:
 - daily reports on trading results, particularly quantities and transaction prices of trading on the balancing market,
 - monthly reports on trading on the balancing market,
 - periodical reports,
 - register of the balancing market members.
- (2) The Market Operator shall report regularly to the Energy Agency and the System Operator on the results and implementation of the balancing market.

6. CLEARING AND FINANCIAL SETTLEMENT OF TRANSACTIONS CONCLUDED ON THE BALANCING MARKET

Article 27
(Clearing and financial settlement)

- (1) The Clearing Agent carries out the clearing and financial settlement of claims and liabilities arising from the balancing market.
- (2) The clearing and financial settlement of transactions concluded on the balancing market is implemented as per the Clearing rules.
- (3) The balancing market member becomes a financial settlement participant in the balancing market after signing the agreement on cooperation in the settlement system of the Clearing Agent.
- (4) In the procedure of clearing and financial settlement in the balancing market, the Clearing Agent is liable for the fulfilment of financial liabilities for transactions concluded on the balancing market in the scope of submitted and redeemable financial guarantees.
- (5) The engagement of tertiary regulation of power is not the subject of the clearing and financial settlement of transactions concluded on the balancing market.

Article 28
(Financial guarantees)

- (1) The financial settlement participant is obliged to submit and maintain financial guarantees as insurance for fulfilling the liabilities arising from the cooperation on the balancing market in the amount, form and deadlines determined by the Clearing rules and these Rules.
- (2) If the financial settlement participant has not yet submitted financial guarantees to the Clearing Agent, the financial settlement participant is obliged to submit financial guarantees in the expected scope of trading or at least EUR 10,000 within three days after signing the agreement on cooperation in the settlement system of the Clearing Agent.
- (3) All financial guarantees submitted by the financial settlement participant in accordance with these Rules are *de jure* and *de facto* property of the financial settlement participant and are free of liabilities for other purposes.
- (4) The System Operator as the public service provider of activity of the transmission system operator is not obliged to submit financial guarantees.

Article 29

(Market disorder, inability to perform and force majeure)

The liability, measure and procedures relating to market disorder, inability to perform and force majeure are determined in the Clearing rules.

7. TRANSITIONAL AND FINAL PROVISIONS

Article 30

(Possibility of withdrawal from the balancing market membership agreement)

The balancing market members may withdraw from the balancing market membership agreement within fifteen days after these Rules come into force.

Article 31

(Cessation of application)

The Rules on the operation of the electricity balancing market (Official Gazette of the Republic of Slovenia, no. 73/12) cease to be valid on the day these Rules come into force.

Article 32

(Introduction of Rules)

These Rules shall come into force on 1 January 2015.

Karol Peter Peršolja, MSc
Director

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