

AUCTION RULES

RULES FOR THE AUCTIONING OF PHYSICAL ELECTRICITY TRANSFER RIGHTS ON THE HVDC-LINK BETWEEN THE NETHERLANDS AND NORWAY

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SECTION 0 – INTRODUCTION

The auctioning is not a commercial affair but one aimed at making the transfer capacity available to the market in a transparent and non-discriminatory manner. Bidders are expected to act fairly and avoid speculative or other disruptive behavior in the Auctions. These Auction Rules provide penalties if they do not.

SECTION I – GENERAL

Article I.1 – Definitions

1. In these Auction Rules:

APX means:	the day-ahead power exchange operated by APX B.V.;
Auction means:	an auction under these Auction Rules;
Auction Clearing Price	
Price means:	the Auction Clearing Price in the meaning given to it in Article III.1, expressed in Euro per MW per hour;
Auction Day means:	the day on which an Auction takes place;
Auction Rules means:	these auction rules including its Annexes;
Auction Closure Time	
Time means:	the Auction Closure Time in the meaning given to it in Article V.4(2);
Auction Website means:	a designated website maintained by NorNed Auction;
Balance Responsible Party	
Party means:	a market party who has recognition as a Balance Responsible Market Player and who has entered into a Balance Responsible Market Player Agreement with Statnett, in accordance with applicable Norwegian public regulations;
Balance Responsible Market Player Agreement means:	an agreement, also referred to as Balance Agreement, between Statnett and the Balance Responsible Party that provides access to the Norwegian wholesale market for electrical power;
Bid Price means:	the price which a Bidder bids for a specified quantity of PTRs in an Auction;

Bidder means:	a legal person who participates, intends to participate or has participated in an Auction under these Auction Rules and who has been registered for that purpose in accordance these Auction Rules;
Capacity Price means:	the price payable by a Bidder, being the product of the Clearing Price and the number of PTRs awarded to that Bidder in an Auction.
Direction Fixing Bid means:	the Direction Fixing Bid in the meaning given to it in Article II.2(2)(A)(b);
Day of Execution means:	the day for which PTRs which have been awarded on the preceding Auction Day are used to nominate available transfer capacity;
EAN Code means:	European Numbering Code, a code, issued by the national EAN organizations, by which NorNed Auction identifies Bidders in its electronic system;
Firm means:	in respect of transfer capacity: continuously available under normal and adverse circumstances, where necessary through specific measures by the TenneT and Statnett;
Fixed Direction means:	Fixed Direction in the meaning given to it in Article II.2(1);
Force Majeure means:	<i>overmacht</i> (force majeure) in the meaning of article 75 Book 6 of the Dutch Civil Code;
HVDC-Link means:	the high voltage direct current link between the Netherlands and Norway, operated by TenneT and Statnett;
NordPool means:	the day ahead power exchange operated by Nord Pool Spot AS;
NorNed Auction means:	a non-incorporated organizational unit charged with the carrying out of Auctions;
Program Responsible Party means:	a market party who has recognition as a <i>programmaverantwoordelijke</i> and who has entered into a PV-overeenkomst with TenneT, in accordance with applicable Dutch public regulations;
PTR means:	Physical Transfer Right, being the right to transfer during one (1) hour one (1) MW

	of electricity from the Netherlands to Norway or vice versa, as the case may be;
PTR Holder means:	the legal entity who has been awarded one or more PTRs in an Auction;
Ramping Constraint Interval means:	the Ramping Constraint Interval in the meaning given to it in Article II.2(2)(B)(c);
Statnett means:	Statnett SF
TenneT means:	TenneT TSO B.V.
Transporting Party means:	a party who nominates transports on the HVDC-Link using the PTRs which it has been awarded in an Auction for that purpose and who when acting on the Dutch side of the HVDC-Link must have recognition as a Program Responsible Party and when acting on the Norwegian side must have recognition as a Balance Responsible Market Player;
UCN means:	Use of Capacity Notice: a notice in accordance with Annex A in which a Bidder has appointed Transporting Parties;
Working Day means:	a day which is not a Saturday, a Sunday or a generally recognized festive day (<i>algemeen erkende feestdag</i>) in Norway or the Netherlands.

2. In these Auction Rules:
 - a. references to times are to Central European Time;
 - b. "day" refers to a Working Day;
 - c. "hour" refers to a clock hour;
 - d. "Article" refers to an Article of these Auction Rules unless indicated otherwise; and
 - e. references to the singular shall include references to the plural and vice versa except to the extent that the context requires otherwise, and
 - f. all prices are exclusive of VAT.

Article I.2 – Auctions

1. The Auctions are conducted by NorNed Auction in respect of PTRs on the HVDC-Link.
2. Auctions take place daily with a view to electricity transfer over the HVDC-Link

on the next day.

Article I.3 – *The Auction Website*

1. On the Auction Website are published:
 - a. these Auction Rules together with its Annexes and any amendments thereof;
 - b. announcements in connection with Auctions, including the available transfer capacity the sum total of awarded PTRs and the Auction Clearing Price;
 - c. the generally recognized festive days in Norway and the Netherlands in a calendar year;
 - d. information on the Auction proceedings;
 - e. relevant contact details;
 - f. formats of documents to be used by Bidders; and
 - g. other relevant information.

Article I.4 – *Use it or lose it; incompatible nominations*

1. PTRs for which no transfer capacity has been nominated are forfeited and the PTR Holder shall not be entitled to reimbursement or compensation.
2. In case of incompatible nominations of transfer of electricity on the Dutch side and the Norwegian side of the HVDC-link, the nominations on the Dutch side shall prevail.

SECTION II – AVAILABLE TRANSFER CAPACITY AND FLOW DIRECTION

Article II.1 – *Available transfer capacity*

1. The transfer capacity available for nomination on the Day of Execution is determined jointly by TenneT and Statnett on the preceding Auction Day and may until 9.15 hrs of that Auction Day be reduced to a minimum of zero (0) MW.
2. Save in circumstances which qualify as Force Majeure the transfer capacity available for nomination on the Day of Execution, as determined by TenneT and Statnett pursuant to the previous paragraph, is firm as of 9.15 hrs of the preceding Auction Day.

Article II.2 – The available transfer capacity direction

1. Transfer capacity is made available on each Day of Execution for transports over the HVDC-Link in one direction (the “**Fixed Direction**”).
2. The Fixed Direction is determined in respect of each hour immediately after Auction Closure Time in the following manner:

A. Main principles

- a. first the available transfer capacity in both directions is set at a theoretical 300 MW;
- b. then the first bid not accepted and not made by the Bidder who made the last accepted bid (such not accepted bid being the “**Direction Fixing Bid**”) is identified;
- c. the Direction Fixing Bids for each direction are ranked against each other; and
- d. the Fixed Direction for each hour is the direction for which the highest Direction Fixing Bid was made.

B. Particulars

- a. If a Direction Fixing Bid is absent for one direction, then, for the purpose of applying the principles described above, the Direction Fixing Bid for that direction is considered to be zero;
- b. The Fixed Direction for a certain hour shall remain unchanged in the following hour if one of the following events occurs:
 - i. bids for the hour following the hour for which the Fixed Direction has been determined amount to less than 300 MW in both directions;
 - ii. for the hour following the hour for which the Fixed Direction has been determined the Direction Fixing Bids are equal for both directions;
- c. Transfer capacity available for nomination on the Day of Execution is reduced to 300 MW in both directions one hour before and one hour after each change of the Fixed Direction (the “**Ramping Constraint Interval**”).

SECTION III – AUCTION CLEARING PRICE AND AWARD OF PTRs

Article III.1 – Bid ranking and determination of the Auction Clearing Price

The Auction Clearing Price for transfer capacity is determined in the following manner:

A. Main principles

- a. If all bids together exceed the available transfer capacity, then the highest priced bid is accepted;

- b. If there is remaining transfer capacity, then the next highest priced bid is accepted, and so on until no transfer capacity remains;
- c. PTRs are then awarded in accordance with all accepted bids at the price of the lowest priced accepted bid, this price being the Auction Clearing Price, expressed in Euro per MW per hour;
- d. In the previous subparagraphs a-c the word "bid" includes the plural if more than one bid has been made at the same price; and
- e. In subparagraph c the lowest priced accepted bid includes the lowest priced accepted bid for PTRs in excess of the remaining transfer capacity, as the case may be.

B. Particulars

- a. If all bids together do not exceed the available transfer capacity, then the Auction Clearing Price is zero; and
- b. The Auction Clearing Price for those hours of the Day of Execution that fall within a Ramping Constraint Interval is determined on the basis of the available transfer capacity during those hours on the Day of Execution.

Article III.2 – Award of PTRs

1. PTRs in the Fixed Direction are awarded to Bidders whose bids have been accepted in accordance with Article III.1.
2. If more accepted bids have been made at the same Bid Price then the award of PTRs shall be in proportion to the number of PTRs for which each such bid was made, in units of at least 1 MW.
3. If the lowest priced accepted bid exceeds the remaining transfer capacity then the award of PTRs for which that bid was made shall be limited to the remaining transfer capacity.
4. PTRs are awarded at the value of the Auction Clearing Price.

SECTION IV – REQUIREMENTS FOR PARTICIPATION

Article IV.1 – Registration and solvency requirements

1. A Bidder must be either a Program Responsible Party or a Balance Responsible Party, or both.
2. A Bidder may not have been declared bankrupt or insolvent or granted suspension of payment nor may a petition for bankruptcy, insolvency or suspension of payment have been filed against the Bidder.
3. To participate in an Auction the Bidder must register with NorNed Auction, submitting the following details and documents:
 - a. name, address, EAN Code, telephone number, fax number, e-mail

- address and contact person(s) of the Bidder;
- b. a list of authorized representatives who are entitled to submit Bids as well as documents proving their authorization and;
 - c. a statement, in conformity with Annex B, from an authorized functionary to the effect that the Bidder has received, read and accepted these Auction Rules together with a document proving his or her authorization.
4. The registration and documents mentioned in the previous paragraph are valid for an indefinite number of Auctions, but the Bidder shall inform NorNed Auction forthwith of any changes.
 5. NorNed Auction may at its discretion request a renewal of registration and registration documents.

Article IV.2 – Trade requirements

1. Pursuant to public law requirements in Norway, all trade of electricity (import or export) to be carried out by the Bidder shall be carried out through Nord Pool Spot. The Bidder shall have a separate portfolio for the trade of electricity related to the HVDC-link.
2. Pursuant to public law requirements in the Netherlands (in particular Section 5.6.12 of the Net Code), all trade of electricity (import only) to be carried out by the Bidder shall be carried out through APX.

Article IV.3 – Requirements in respect of grid access rights

1. To be admitted in an Auction, a Bidder must, in a UCN, appoint Transporting Parties in both the Netherlands and Norway.
2. The Bidder shall appoint itself as Transporting Party for at least either the Netherlands or Norway.
3. The UCN is valid for all Auctions in the calendar month in which it has been filed.
4. If the Bidder has appointed as Transporting Party a third party which it wishes to replace during a calendar month it must file a new UCN for that purpose.
5. If the Bidder has appointed a third party as Transporting Party then that Transporting Party shall, no later than three Working Days before the first Auction in the calendar month in which the Bidder participates, have submitted to NorNed Auction a statement, in conformity with Annex B, from an authorized functionary to the effect that the Transporting Party has received, read and accepted these Auction Rules together with a document proving his or her authorization, failing which the UCN shall not be valid.

Article IV.4 – Use of Capacity Notice

1. The UCN must be signed by the Bidder as well as, if it has appointed a Transporting Party who is not the Bidder itself, by that Transporting Party.
2. The UCN must have been received by NorNed Auction no later than three Working Days before the first Auction in the calendar month in which the Bidder participates.
3. If the Bidder has appointed a Transporting Party who is not the Bidder itself, the Bidder and that Transporting Party are jointly and severally liable for the performance of the Transporting Party's contractual and non-contractual grid access obligations towards TenneT or Statnett, as the case may be.

Article IV.5 – Designated account

1. No later than on the day preceding the day on which the Bidder participates in an Auction, the Bidder shall have enabled NorNed Auction to open a designated account *re* the Bidder which can be debited directly for amounts the Bidder becomes due in connection with its participation in that Auction.
2. The business account must have a positive disposable balance at all times, the disposable balance being the funds in the business account minus the aggregate amount of debts payable in connection with an Auction regardless of whether those debts have been invoiced at the time the Auction takes place.
3. NorNed Auction may request a Bidder to supply additional collateral if this is reasonably required to secure the payment by the Bidder of its debt.

SECTION V – AUCTION PROCEEDINGS

Article V.1 – Conduct of Bidders and Transporting Parties

1. Bidders and Transporting Parties must refrain from any action or behavior which adversely affects or threatens to adversely affect the Auction process or which aims at gaming or which in any other way disrupts or threatens to disrupt the Auction process or the transparency, cost-effectiveness or fairness thereof.
2. NorNed Auction is entitled to exclude from participation or further participation in an Auction or a certain or indefinite number of subsequent Auctions or to refuse to accept as Transporting Parties those who act or behave or have acted or behaved in violation of the previous paragraph or who abuse any right or position obtained pursuant to an Auction or who do not comply with any other provision of these Auction Rules or applicable public regulations.

Article V.2 – Bidding

1. Bids must be made in respect of one (1) hour and in units of one (1) MW with a minimum of one (1) unit.
2. Bids must be made in accordance with the procedure set forth in Annex C.
3. In the event that the receipt of a bid has not been acknowledged by NorNed Auction the Bid is deemed not to have been made, unless and until reparation has taken place in accordance with the applicable provisions in Annex C.
4. NorNed Auction shall only process bids which are unconditional and irrevocable.

Article V.3 – Number of bids

1. A bid must be made for no more and no less than one hour and separate bids must be made for each hour for which the Bidder aspires to obtain PTRs.
2. A Bidder may make more bids in respect of the same hour.

Article V.4 – Time schedule

1. The transfer capacity available for nomination on the Day of Execution is published on the Auction Websites no later than 09.15 hrs of the preceding Auction Day.
2. Bids can be filed until 09.45 hrs (the “**Auction Closure Time**”);
3. The results of an Auction are published on the Auction Website no later than 10.15 hrs, immediately after each Bidder has been informed individually of the result of its bid or bids, as the case may be.

Article V.5 – Tripartite agreement

A successful Bid results in a tripartite agreement between the bidder on the one side and TenneT and Statnett on the other, the terms of which shall be the terms of these Auction Rules.

SECTION VI – PAYMENT

Article VI.1 – Currency

All payments under these Auction Rules shall be made in Euro (€).

Article VI.2 – Direct debit

1. The Capacity Price is invoiced on a weekly basis (the period of Saturday through Friday) by NorNed Auction to a Bidder who has been awarded PTRs.
2. The invoice is due on the first Working Day following Tuesday.
3. The invoice shall be paid by direct debit of the designated account mentioned in Article IV.5.

Article VI.3 – Waiver of setoff

Bidders waive the right to set off any debts which they have incurred in connection with an Auction against any amounts which for whatever reason are payable by either TeneT or Statnett.

SECTION VII - DEFAULT

Article VII.1 – Failure of direct debit and default interest

1. If a Bidder fails to pay an amount it is due, NorNed Auction is authorized to exclude that Bidder without prior notice and without compensation from further Auctions:
 - (i) for a maximum 30 days, or
 - (ii) until the due amounts has been settled,whichever is the longer period.
2. If payment has not been made by the due date, the Bidder shall be in default without any notice and in addition to costs and damages it shall owe interest at an annual rate equal to one-month EURIBOR at the due date plus ten (10) percentage points on the overdue amount. Interest shall accrue from the date on which the default commences, up to and including the date on which it ends. In calculating the interest, the overdue amount shall, upon expiry of each year, be increased by the interest due over that period. Interest shall not be due only if the default in payment can be attributed to NorNed Auction.

SECTION VIII - MISCELLANEOUS

Article VIII.1 – Information/notices

Except where these Auction Rules provide otherwise notices given under these Auction Rules shall be in writing and addressed to NorNed Auction at the address P.O. box 718, 6800 AS, Arnhem, the Netherlands.

Article VIII.2 – Limitation of liability

1. TenneT and Statnett, either jointly or severally, shall not be liable to a Bidder for any damages resulting from a Bidder's participating or not being able to participate in an Auction or from the results of the Auction or from an Auction not being held and a Bidder shall hold harmless and indemnify TenneT and Statnett, jointly and severally, in respect of claims regarding such damages from third parties, including (for the avoidance of doubt) Transporting Parties.
2. Insofar as the previous paragraph would in a court-of-law be held to be unenforceable, the liability of TenneT and Statnett, jointly and severally, shall be limited to direct damages only and not include consequential damages, and in such case neither TenneT nor Statnett shall be liable for damages which exceed the aggregate amount of EUR 100.000 (one hundred thousand) per claim (connected to one incident or related incidents).
3. The award of PTRs pursuant to these Auction Rules shall not be considered or construed to mean or to imply that the Bidder, or a Transporting Party appointed by it, is entitled to have electricity transports carried out over the domestic electricity networks of the Netherlands and Norway or that electricity transport failures or restrictions on either of the domestic electricity networks are or can be deemed by implication a failure to make transfer capacity available to use the PTRs which have been awarded in an Auction.
4. TenneT and Statnett, either jointly or severally, do not guarantee that the information contained in a bid, despite being treated as confidential to the best of their abilities, will not come to the knowledge of third parties.

Article VIII.3 – Confidentiality

1. NorNed Auction and TenneT and Statnett shall treat all information disclosed to them pursuant to these Auction Rules as confidential and they will refrain from disclosing such information to any third party without the prior consent of the Bidder or Transporting Party concerned.
2. The previous paragraph shall neither apply to the disclosure of information to governmental and regulatory authorities insofar as such disclosure is mandatory nor to the disclosure of information in a court-of-law or an arbitrator or arbitration panel insofar as such disclosure is ordered by the court or that arbitrator or arbitration panel or is required to substantiate a claim or to defend against a claim.

Article VIII.4 – Severability

If any part of these Auction Rules is found by a public authority or court to be invalid, illegal or unenforceable, the remaining part shall continue to be valid and enforceable to the extent permitted by law.

Article VIII.5 – Changes

NorNed Auction may announce changes of these Auction Rules. Such changes will be effective from the date as indicated by NorNed Auction.

Article VIII.6 – Applicable law and disputes

1. Dutch law governs these Auction Rules and the Auctions and the agreements resulting from the Auctions.
2. Disputes shall be brought before the competent courts in the Netherlands.

8 February 2008