

Transition to the Daily Financial Clearing of Imbalance Settlement Questions & answers

Pursuant to the amendment to decree No. 24/2013 Coll. determining the internal energy market rules and the internal natural gas market rules subject to current version (hereinafter referred to as "Market rules") **the organizer of the short-term electricity market (hereinafter referred to as "OKTE") is transitioning with effect from 1st of October 2022 to the daily financial clearing of imbalance settlement.**

There is no change in the process of imbalance settlement itself, the change only affects the financial clearing of imbalance settlement between OKTE and the subjects of settlement.

What will be the next procedure and what activity is required from the subjects of settlement?

In connection with the upcoming transition to the daily financial clearing of imbalance settlement

- the subject of settlement will be invited to sign a new Agreement on settlement of imbalances, which will replace the existing Agreement on settlement of imbalances,
- it will be necessary for the subject of settlement to grant OKTE an Authorization for B2B SEPA Direct Debits to its bank account kept with a bank reachable in the STEP 2 clearing system, for the SDD B2B scheme, in favour of OKTE's bank account,
- it will be necessary for the subject of settlement to ensure that its bank account has an adequate amount of funds for executing the direct debit order, corresponding to the anticipated financial volume of subject of settlement's imbalances.

The surrender of the B2B SEPA Direct Debit Authorization to OKTE will be a condition for the registration of the subject of settlement in ISZO system. If the subject of settlement fails to surrender the B2B SEPA Direct Debit Authorization to OKTE, it will not be registered in the ISZO system.

For subject of settlement currently registered in ISZO, a transitional period of up to 31st of October 2022 is provided for the surrender of the B2B SEPA Direct Debit Authorization to OKTE. During the transitional period, clearing invoice will be issued daily, while payment obligations of the subject of settlement towards OKTE will be required no later than the date on which the direct debit order would be due. Payment of OKTE's obligations towards the subject of settlement will be made no later than the date on which the payment orders would be due (see dates later in the text).

What are the new rules for imbalance settlement and issuing invoices for the period from 1st of October 2022?

The daily financial clearing of imbalance settlement will be based on similar principles as the daily financial clearing of trade transactions in the organized short-term cross-border electricity market. Receivables and payables from the relevant daily evaluation of imbalances will be set off and the settlement of the balance of the relevant daily evaluation of imbalances will result in issuing payment orders or direct debit orders.

The following rules shall apply to the settlement of imbalances and the issue of invoices for the period from 1 October 2022:

- OKTE shall settle the imbalances on the basis of the daily evaluation and shall issue a daily clearing invoice by 24:00 hrs on the second business day after the end of the trading day; the invoice will be accessible in ISZO and sent by e-mail as before,
- OKTE shall settle the imbalances on the basis of the ten-day evaluation, monthly evaluation and final evaluation and shall issue a corrective invoice on the basis of the respective evaluation within 5 business days from the respective evaluation being made Available; the invoice will be accessible in ISZO and sent by e-mail as before,
- The settlement of imbalances will result in issuing payment information for the relevant settlement period,
- The due date of the OKTE direct debit order according to the balance of the relevant evaluation of imbalances (the payables of the subject of settlement exceed its receivables) will be set for the 2nd business day following the date of issue of the payment information,
- The due date of the OKTE payment order according to the balance of the relevant evaluation of imbalances (the receivables of the subject of settlement exceed its payables) will be set for the 5th business day following the date of issue of the payment information.

When the payment information will be issued?

The payment information will be issued on the day of the relevant imbalance settlement based on the relevant evaluation, i.e., the payment information will be issued every working day following the issuance of all clearing invoices and all corrective invoices, on the basis of mutual credit. The result is a balance, and the difference is either a direct debit order or a payment order.

How should I explain the three-day difference between the due date of the payment order and the direct debit order?

The terms are the same as for the financial clearing of trade transactions in the organized short-term cross-border electricity market and are based on OKTE's need to obtain the funds to be paid. Funds from imbalance settlement do not remain with OKTE, OKTE collects them from market participants (subject of settlement) and subsequently pays them to other market participants (subject of settlement).

Does the change concern only the financial clearing of imbalance settlement, or also payments for a share the share in costs of regulating electricity?

The change concerns the financial clearing of imbalance settlement as a whole. Financial clearing of payment for share in regulating electricity costs is part of the imbalance settlement and will also be part of the financial clearing of imbalance settlement.

Will the structure of the clearing invoice and corrective invoice change?

Part of the clearing invoice and the corrective invoice will also be the financial clearing of payment for share in regulating electricity costs.

What will be the claim process for imbalance settlement?

The subject of settlement can claim to OKTE

- preliminary daily imbalance settlement no later than 5 days from the date of providing the results of the preliminary daily imbalance settlement by OKTE,
- daily imbalance settlement no later than 5 days from the date of providing the results of daily imbalance settlement by OKTE,
- ten-day imbalance settlement no later than 5 days from the date of provision of the results of the decadal evaluation by OKTE,
- monthly imbalance settlement no later than 20 calendar days from the date of providing the results of monthly imbalance settlement by OKTE.

Claiming the final imbalance settlement is not possible. Any disputes will be resolved between the parties concerned, i.e., the party claiming the damage and the party against whom the damage is claimed.

Will the process of financial clearing of ten-day imbalance settlement, monthly imbalance settlement and final imbalance settlement take place even in cases where there was no change in the data for the imbalance settlement?

Issuance of corrective invoices based on ten-day imbalance settlement, monthly imbalance settlement and final imbalance settlement will concern only those subjects of settlement whose data in their balancing group will change.

Will the method of calculating the financial security change?

The formula for calculating the financial security does not change, but from 1st of January 2023, a change in one of its input parameters is expected, when the current variable "Zp", representing the period for which the financial security is determined, will change.

Overview of Basic Parameters of the Imbalance Settlement

Imbalance Settlement Process	Preliminary Daily Imbalance Settlement	Daily Imbalance Settlement	Ten-Day Imbalance Settlement	Preliminary Monthly Imbalance Settlement	Monthly Imbalance Settlement	Final Imbalance Settlement
Deadline for settlement of imbalances for the period from 1/10/2022 - day of evaluation	by 10:30 a.m. for the previous day	by 10:30 a.m. of the second business day following the end of the trading day	within three business days from the end of the first ten-day period, within three business days from the end of the second ten-day period and within three business days from the end of the month	N/A	by the 12 th day for the previous calendar month	within two months after the end of the calendar month
Imbalance settlement results	on the day of evaluation by 10:30 a.m.	on the day of evaluation by 10:30 a.m.	on the day of evaluation	N/A	on the day of evaluation	on the day of evaluation
Prescribed advances	N/A	N/A	N/A	N/A	N/A	N/A
Financial clearing of imbalance settlement for the period from 1/10/2022	N/A	clearing invoice	corrective invoice	N/A	corrective invoice	corrective invoice
Basis for executing the settlement of imbalances for the period from 1/10/2022	daily diagrams (i.e., daily load profiles), evaluation of regulating electricity, actual data from Type A metering, substitute values from Type B metering, nomination values for Type C metering and system loss values	values for the preliminary daily settlement of imbalances corrected on the basis of the settlement of any claims and corrections of data from the system operators	values for the daily settlement of imbalances, corrected on the basis of the settlement of any claims and corrections of data from the system operators	N/A	daily diagrams (i.e., daily load profiles), evaluation of regulating electricity, actual data from Type A metering, actual values from Type B metering, nomination values for Type C metering and values of electricity losses in the system corrected on the basis of the settlement of any claims and data corrections of data from the system operators	values for the monthly settlement of imbalances, which may be corrected on the basis of the settlement of any claims and corrections of data from the system operators